U.S.DEPARTMENTOFAGRICULTURE

U.S.TRADEREPRESENTATIVE

WORLDTRADEORGANIZATIONNEGOTIATIONS

PUBLICLISTENINGSESSION

JULY8,1999

AUSTIN,TEXAS

MS.COMBS:Goodmorning.I'm delightedtowelcomeyou-allheretoAustin.My nameisSusanCombsandIamtheCommissionerof AgriculturefortheStateofTexas.I'mdelighted thatwe'vegottensuchagreatresponseforthis event,becausetradeis,ofcourse,anextremely importantissue.I'mdelightedtoseemyfriend BettyBrownhere,representativeofthefarmingand ranchingcommunity.

Weareheretodaytogiveboththe Texasandtheregionalperspectiveoninternational tradetothenegotiatorswhowillbeinvolvedinthe nextroundofWorldTradeOrganizationtalks.The WTOministerialbeginsonNovemberthe30thin Seattle.Todaywearegoingtohearaboutwhathas workedandwhathasn'tworkedintheglobaltrade arena.

ThislisteningsessionhereinAustin isoneof12regionalhearingsbeingheldnationwide togivenegotiatorsachancetomeetfacetoface withfarmers,ranchers,andcommoditygroupsand heartheirconcerns.We'realsoverypleasedto havesomedistinguishedvisitorsfromour neighboringstates;IbelievethatRoyJohnsonis herefromthe--thedirectorofmarketing developmentfortheLouisianaDepartmentof AgricultureandForestry,andIthinkRickMaloney ishere,thedirectorofmarketinganddevelopment servicesfromtheOklahomaDepartmentof Agriculture.

Letmetalkalittlebitabout Texas.Texashasamajorstakeintheresolutionof severaltradeissuesduringthisnextroundof negotiations.Afterall,ourstateisoneofthis nation'sleadingagriculturalexporters.Werank amongthetopfivestatesinoverallvalueofag exports,withourexportsfromthisstateworth3.1 billiondollarsin1997.Asoverseaseconomies begintoimprove,TexasandU.S.farmersand ranchersmusthavefairtradeandfairaccessto thesegrowingglobalmarkets.Texassupportsfree tradeaslongasourtradingpartnersarewillingto supportafairandequitablesystem.

Onemajorissueisthetimely resolutionoftradedisputes,especiallywhen perishableproductsareinvolved.Weneedquicker waystoresolvedisputesandasystemtoanticipate andmediatedifferencesbeforetheybecomemajor disputes.RightnowtheWorldTradeOrganizationis thearbitratorofthelastresort.Onesolution couldbegroups,suchasaproposedU.S./European UnionTradeDisputePanel,thatwouldworkasan earlywarningsystemtoresolveargumentsintheir infancy.Thisproposedpanelisagoodstart,and I'msurewecancomeupwithotherwaystomakethe tradedisputeprocessspeedierandmoreworkable.

Anothertradeissueinvolvesanimal andfoodsafety,knownintradegroupsassanitary andphytosanitaryrestrictions.Wemustendthe practicethatsomenationshaveofhidingbehinda so-calledfoodoranimalsafetyveilwhenthe scienceisnotthere.Soundscience,notunfair protectionoflocalmarkets,mustbethecriterion forfairglobaltrade.

Othercountriesarealsolagging behindincommitmentsmadeduringthelasttrade negotiationstoremoveagriculturaltariffsand subsidies.TheEuropeanUnionisstillbeing allowedtospendnearlyeightbilliondollarsinthe year2000tosubsidizeagriculturalexports.This ismorethaneighttimestheUnitedStates expendituresof600millionforthesameyear. WhiletheUnitedStateshasstoodbytheoriginal commitmenttoreduceexportsubsidies,other countrieshavetakenadvantageofthissituationto gainmarketadvantage.AllWTOmembersmustfollow throughontheircommitmentstoworktoward eliminatingexportsubsidies.

Reducingtariffsisanotherareathat needswork.TheU.S.DepartmentofAgriculture reportsthattariffsonU.S.exportsaveragedmore than50percent.50percent,comparedtoimportsin theUnitedStateswhichweresubjecttotariffsof lessthanfivepercent.TheUnitedStatesshould nothavetoreduceitstariffsanyfurtheruntil othercountriesfollowsuit.Thisclearlyisan unfairsituationthatshutsourproducersoutof marketsthattheyneedtoreachtohelpimprove recordlowcommodityprices.

Anotherunfairsituationthatwas callingfordecisiveactionisthefloodoflamb importsfromNewZealandandothercountries.The U.S.InternationalTradeCommissionhasfoundthat importsofforeignlambsurged47percentbetween 1993and1997.Inaddition,1998lambimportswere 30percentabovethe1997figures.Theseimports haveseverelyharmedourdomesticlambindustry. Iamgladtosaythatasoflate yesterday,theWhiteHousedidgoaheadandagree, insubstance,withtherecommendationofthe

International Trade Commission. But to put the need for that industry in perspective, I want to give you a couple of numbers. The value of U.S. exports in lamb to Australia for the two-year period '95 to '97 was $5,000. $5,000. We had zero exports to New Zealand. The imports in the same two-year period of lamb from Australia in the two years was 142 million; 108 million from New Zealand. So it's $5,000 versus about 250 million.

Another number that's kind of interesting is with respect to beef. This country exported about a million dollars in beef in a two-year period to Australia in '95 through '97. We imported 640 million. To New Zealand, in the same period, we exported about $730,000 worth; we imported from New Zealand 500 million.

I am sure that today we will hear a great deal more about these issues and others that are restricting Texas and U.S. producers' access to other markets. Again, on behalf of Texas Agriculture and Austin, thank you for taking the timetocomeandtestifyatthissessiontoday.

NowI'mgoingtoturnthe--the sessionsfacilitatorovertoTonyPurcell.Tonyis withtheTexasStateNetworkandhe'sgoingtobe ourterrificmoderatorfortoday'ssession.

MR.PURCELL:Thankyou, Commissioner.Andwelcomeeveryonetothissession that,asyouknowfromthereleases,it'sa listeningsession.Thescheduleisprettytight.A coupleofgroundrulesfirst.Everyoneknowsthe speakerswillhaveafive-minutepresentation,and allpresentationswillbemadefromthepodiumtomy right,toyourleft.Andthissessionisalsobeing transmittedliveontheInternet,andtheacoustics inthisroom,itwillpickupsomeonetalkinginthe backaswellasitwillpickupsomeonetalkingon thestage.Soifyouneedtohaveadiscussion abouttestimonycominguporanythinglikethat, pleasegocompletelyoutsidetheroomtodothat. Becausewe'dliketokeeptheroomnoisetoan absoluteminimum.

You'regoingtohearavarietyof issueshere.Infact,theseguysonthestageare reallygoingtogetanearful,becauseIdon'tthink anystatearoundhassuchvarietyinits

agriculturalproductionasthestateofTexas.
Andit'sallamatterof
perspective.Ithoughtitwasinterestinglast
week,thenationalheadlinewas"NewYorkswelters

underaheatwave,"anditwas96degreesthere. AndonthesamedayinDallas,whereIlive,the localheadlinewas"NorthTexansenjoyamild summer,"anditwas95degreesthere.So,youknow, that'samatterofperspective,andthatgoesfor tradeandagricultureaswell.

Solet'sgoaheadandkickthisoff. We'llhearsomeopeningremarksfromourpanelists andthenwe'llgointothepresentationsfromthe list.Andonlythosewhoareonthelistwillbe makingpresentationsbecausethescheduleisvery tight.

Soourfirst--ourfirststatement willbefromtheUnitedStatesTrade Representative'soffice,andrepresentingthat officeisSharonBomer-Lauritson.She'sthe directorofagriculturalaffairsandsheworkson preparationsfortheWTOaswellasbilateral agriculturaltradeissueswithCanadaandseveral SouthAmericancountries.Now,priortojoining USTR,SharonworkedfortenyearsintheUSDAag

marketingservice,andshealsoservedasalobbyist
fortheUnitedFreshFruitandVegetables
Association.
Solet'shearnowfromSharon

Bomer-Lauritson.

MS.BOMER-LAURITSON:Thankyouvery much,Mr.Purcell,andespeciallytoyou, CommissionerCombs,foralltheeffortandhardwork youhaveputintoarrangingthisopportunityforus tomeetwithyouproducers,ranchers,and agribusinessrepresentativesinthisregion.This isalisteningsession,soIwanttospendmostof mytimethismorningandafternoonhearingfrom you.

Butletmebeginwithsomebrief remarksontheprinciplesofouragriculturaltrade policies,theAdministration'sviewoftheneedfor anewtradenegotiatinground,andthemajor agriculturalissuesitislikelytoaddress.

U.S.agriculturaltradepolicyrests onafewbasicprinciples;opportunity,fairness, andrespectforscience.First,Americanfarmers aretheworld'smosthighlycompetitiveand technicallyadvanced.With25percentoftotal receiptscomingfromagriculturalexports,weare andwillbeinthefutureincreasinglyrelianton exportstoremainprofitableathome.Theregion thatwe'rerepresentingtoday,Texas,Oklahoma, Louisiana,andNewMexico,aloneexportoverfour billiondollarsworthofagriculturalgoods. Agriculturalproducersalsodependon strictandimpartialenforcementofourfairtrade lawstoaddressfarmdumpingandsubsidiesfor importsurgesinparticularcommodities.And exportersandconsumersalikerequireastrong science-basedfoodinspectionregimetoensure confidenceinthefoodsupplyandmakesureforeign countriesarenotcreatingnewtradebarriers.

Wehavepursuedthesegoalsina numberoftradeforum.First,intheWorldTrade Organization,wehavecreatedasetofinternational principlestoensureopenmarketsandfairtreatment forAmericanproducers.TheWTOrepresents50years ofbipartisanAmericanleadershipandthecreation ofaninternationaltradingsystemthatbringsdown foreigntradebarriersandpromotestheruleoflaw intrade.Ithashelpedraiseincome,tocreate jobs,andpromoteAmericanvaluesoffairplayand ruleoflawworldwide.

Webroughtagriculturefullyintothe

tradingsystemoftheWTOin1995andtheresults havebeenverygood.USDAwillbeprovidingsome verymuchmoredetailedinformationonthis,butI wouldliketofocusnowalittlebitonthestrong enforcementmechanismthatwehavecreatedtomake surethatourtradingpartnersliveuptotheir commitments.TheU.S.hasbeenthemostactiveuser ofthissystem.Wehavesucceededin20ofour22 casesthatwehavebroughtagainstothercountries intheWTO,andnine,nearlyhalf,haveaddressed agriculturalcommoditiesfromfruitsalestoJapan, porkinthePhilippines,dairyinCanada,and,of course,theverywell-knownoneswiththeEuropean Uniononbananasandbeef.

Onabilateralfront,wehavefound newopportunitiesthroughaseriesofbilateraland regionalagreements;almondstoIsrael,beefto Korea,grainsinCanada,porkandpoultryinthe Philippines,applesinJapan,andmore.Themost recentexampleisthebilateralsanitaryand phytosanitaryagreementwereachedwithChinain April.ThiswasmadepossiblebecauseoftheWTO's sanitaryandphytosanitaryagreement.Ithas alreadyliftedChina'sbanoncitrusproducts,which IknowisimportanttoSouthTexas,wheatandother grainsfromthePacificNorthwest,andmeatand poultryfromallUSDA-approvedplants.When combinedwithcutsinChinesetariffs,afterChina joinstheWTO,weexpecttoseesignificant increasesinU.S.exportstoChina.

Atthesametime,however,thework isfarfromdone.Numeroustradebarriersand unfairpracticescontinueoverseas.ThePresident, therefore,calledforanewroundofinternational tradenegotiationsundertheWTOinhisStateofthe Unionaddress.Weexpecttherounditselfwilltake threeyearstoconcludeandwilladdressanumberof issuesbeyondagriculture.Agriculturalissues themselveswillbeattheheartofouragenda.As VicePresidentGorehassaid,oureconomydependson fullyproductiveandcompetitiveagriculture,and theroundisoursinglebiggestopportunityintrade policytomakesureAmericanagricultureremainsthe worldstandard.

Inthemonthsaheadwearebeginning tosetaveryspecificagenda.Broadlyspeaking,we expecttoaddressreducingtariffsandother barrierstoourproductsoverseas,promotingfair tradebyeliminatingforeignexportsubsidiesand reducingtrade-distortingdomesticsupports, ensuringgreatertransparencyandfairnessinstate tradinghelpingtoguaranteethatfarmersand rancherscanusebiotechnologywithoutfearoftrade discrimination,andensuringthatAmericanproducers havetherighttoeffectiveremediesagainst dumping,subsidies,andimportsurges. Asweprepareforthiswork,weare consultingwithAmericanindustries,withCongress, andwithourtradingpartnerstosetspecific objectives.Wealsoneedadvicedirectlyfrom producersandothersintheagriculturalindustryon thespecificobjectivesweneedtoset,andthatis whywearearetoday.Becausethebestwaytofind outistoaskyoudirectly.Wearearetolisten toyouasproducers,experts,andpeopleinvolvedin thefoodindustry.Wewanttohearyourpriorities andunderstandfirsthandtheproblemsyouseein internationaltrade.Withtherightobjectivesand successfulnegotiations,wecanensuresecureaccess tomarketsforAmerica'sgrowers,ranchers,and dairyfarmers,aswellastoensuresafeguards againstunfairpracticesinourmarket.Wecan raiselivingstandardsforAmericanfarmandranch families,wecanensuregoodpricesandhealthyfood forourconsumers,andwecanrealizethebroader humanitarianmissionofaworldfreefromhungerand withstrongerprotectionforland,water,and wildlife.Itisagreatopportunityforour producersandforourwholecountry.

Iwanttothankallofyouforcoming todaytohelpuswithyourthoughtsandadvice. Andonceagain,letmethankyou, CommissionerCombs,forhostingus,andforallthe hardworkyourstaffhasdonetoarrangethis session.Thankyou.

MR.PURCELL:Thankyou,Sharon. Anytimeyoutalkaboutworldtrade, you'reinvolvingdiplomacyonvariouslevels.And representingtheU.S.DepartmentofStatewehave PaulAceto.Now,he'sbeenworkingforthe DepartmentofStatesince1985;he'sbeeninthe OfficeofAgriculturalTradePolicysince'97,and hisresponsibilitiesincludeWTOissues,foodaid, andsanctionspolicies. Now,hispreviousassignmentswerein Korea,Italy,andTaiwan.He'sfromupstateNew York,livesinVirginiawithhiswifeand daughters.So,Paul...

MR.ACETO:Thankyoufortheintroduction,andalsothankstoCommissionerCombs andherstaffforalltheworkthey'vedonein puttingthistogether.

PerhapsIshouldreallyfocusmy remarksonwhytheStateDepartmentisuphereon thetable.I'msuremostofyouaremorefamiliar withtheUSDAandUSTR,notasfamiliarwithhow Statefitsintotheprocess.Well,thesimpleand perhapsgeneralanswertothatisthat,as Mr.Purcellsaid,werepresenttheU.S.overseas, andthatincludestheinterestsofranchersand farmersaswell;infact,everyone'sinterestshere inthisroom.Butobviously,forustodoagood job,wehavetoknowwhattheconcernsareofpeople backhome.

Onamorespecificlevel,obviously, we'reheretodaytotalkaboutthetrade negotiations,andinthateffortwewillbeworking verycloselywiththeUSDAandUSTRontheround. Wedohavesomekindofspecialassetswethinkwe canperhapssay;toacertainextent,wehavetroops alreadyoutthereonthefrontlineinourembassies andconsulatesandtheycanactasoureyesandears duringthenegotiations.Sowecanknowwhatother countriesareupto,whattheywant,butalso,more importantly,wecangetourviewsacrossandtryand

winsomecountriesovertooursideinsomeofthe
bigissues,forexample,exportsubsidies.
Icangive,forexample,averygood
exampleofwherethisisgoingtobeimportant

duringtheroundandevenbeyondtheround,isin theareaofbiotech.Everyone,Ithink,isvery familiarwiththeproblemswe'vehadinEurope lately.Butthinkingahead,it'snotgoingtobe toolongbeforewestarttohaveproblemswithAsia, LatinAmerica,andotherareas.Sowe'realready planninghowwecanuseourembassiestogetour viewoutonbiotechnology.Afewofthosecountries supporttheirembassykindofsettingthestandard forEuropeans.

Soonthat,letmecloseoutand perhapssaythatIhopeandexpectthattheprogram todaywillbeasrewardingastheporkspareribsI hadlastnighthereintown.Thankyou.

MR.PURCELL:Thanks,Paul.Finally, representingtheUnitedStatesDepartmentof AgricultureisTimGalvin.He'stheadministrator oftheForeignAgServiceatUSDA,andeventhough he'sfromIowaoriginally,hassomerealstrongties toTexas.HewasontheHouseAgCommitteestaff whenKikiDelagarzawaschairman,andsohe'sno foreignertoTexasagriculture.Heworkedinthe officeofSenatorBobKerryofNebraska,hewasthe legislativeassistanceforagandtrade,andis reallyoneofthemoversandshakersof internationaltraderightnow. SoI'mpleasedtointroduceTim Galvin.

MR.GALVIN:Thankyou,Tony.Good morning.Iwouldliketojointheothersin thankingCommissionerCombsandtheStateofTexas forallthatthey'vedonetoorganizetoday'sevent andtoprovidethiswonderfulplacefortheforum. Thisisactuallytheeighthofthe12regional hearingsthatwe'redoingaroundthecountry,andI cantellyouuptothispointeveryonehasbeena realsuccess.Andthat'sbeenlargelyduetothe factthatwe'vehadthefullsupportandassistance oftheNationalAssociationofStateDepartmentsof AgricultureaswellastheNationalConferenceof StateLegislatures.Andthat'sjust--again,the quality,Ithink,ofthehearingsjustwouldnot havebeenthesamewithouttheircompletesupport andcooperation.

LastyearinGenevaatthe50th anniversaryoftheworldtradingsystem,President

Clintoncommentedontheimportanceofopentradeto allnations.Healsohighlightedtheneedforthe WTOtoprovideatransparentandopenforumwhere business,labor,environment,andconsumergroups canprovideregularandcontinuousinputtohelp guidefurtherevolutionoftheWTO.

Thatisexactlywhatwe'retryingto dowiththisseriesoflisteningsessionsaroundthe country.Wewanttogetyourinputtohelpshape ouragriculturaltradepoliciesforthenewroundof negotiationsundertheWTOasweenterthenext century.

Weappreciatethetimeandeffort thatyou'vemadetoattendthissessiontoday.As weprepareforthebeginningofanewroundof multilateralnegotiations,it'scriticalthatwe hearandunderstandissuesthatshouldbepriorities forus.ThiswillhelpusindevelopingU.S. negotiatingstrategy.

Asyouknow,whileournational economyhasbeenbooming,ithasbeenayearof struggleandhardshipinmanypartsofrural America.WeatUSDA,fromSecretaryGlickmanon down,recognizethatmuchofagricultureisgoing throughaverydifficultperiodrightnow.AtUSDA wearemarshalingallofourresourcestoaddress thiseconomicsituation.We'remakingsurethat emergencyeconomicreliefgetstoproducersassoon aspossible,thatstrengtheningofthefarmsafety netisatthetopoftheagenda,thatconsolidations andmergerssweepingagriculturearesubjectto properscrutiny,andthatwecontinuetopressto opennewmarketsforourexports.

WhatI'dliketodonowistakejust afewminutestoreviewthreethings;first,the criticalrolethatexportsplayforagriculture, second,therolethattradeagreementshaveplayed inobtainingthecurrentlevelofagricultural exports,andthird,ourgeneralgoalsforthe upcomingWTOroundofnegotiations.Wethenwantto hearfromyou,thosewhoaremostdirectlyaffected byouragagreements,andwe'dliketohearyour directexperienceswithourtradeagreements;what isworking,whatisnot,andhowweshouldmove forward.

Wehavetodimthelightsherea bit.Wewanttobeatthethirdslidehere.

U.S.agriculturalexportsreached 58.6billionin1998,agriculturalexportssupported nearly750,000jobs,andproductsofnearlyonein threeharvestedacresaredestinedforoverseas markets. Eveninthecurrentdownturn,about 25percentofagriculturalsalesareexportsales, comparedwith10percent,onaverage,fortherest oftheeconomy.Thevastmajority,or96percent, ofpotentialcustomersforU.S.products,including agriculturalproducts,liveoutsidetheUnited States.Wemustworktoincreaseouropportunities toselltheseproductsinglobalmarkets.

Accesstocustomersinforeign marketsisakeyfactorinthehealthofU.S. agriculture.Comparedtothegeneraleconomy,U.S. agriculture'srelianceonexportmarketsishigher andprojectedtogrowfaster.Agricultureis alreadymorereliantonexportsthantheeconomyas awhole.

Otherfactorspointtotheincrease inimportanceofexports.Theoveralltrendhas beenoneofincreasingexportsforAmerican agriculture.U.S.agriculturalexportsclimbedto nearly60billionin1996,upfrom40billionatthe beginningofthe1990s.Exportsweredownlast year,andlikelywillbedownfor1999aswelldue torecordworldwidecropproduction,thefinancial crisisinAsia,andthestrongdollar.Andalthough agriculturalexportswereatnearly54billionlast year,weprojectexportsatabout49billiondollars inthecurrentyear.

However,Ishouldpointoutthatwe actuallyexpectexportvolumetobeupfivepercent thisyear.Sothefactthattotalvalueisdown simplyreflectsthecurrentlowpricesthatwe're allexperiencing.Whentheglobaleconomyrebounds, thetrendofincreasingexportsisprojectedto continue,andexportsshouldaccountforalarger percentageoffarmincome.

The1996FarmBillincreasedthe marketorientationofagriculture,andtobe prosperousinanincreasinglycompetitivemarket,we mustincreaseourexportsinthoseareaswherewe haveacompetitiveadvantage.Certainagricultural sectorssuchasalmondsarealreadyexportingmore than60percentofproduction.

Exportsalesareoveronebillion dollarsannuallyforanumberoffoodand agriculturalproducts.U.S.agricultural productivityisincreasingwhiledomesticdemandfor agriculturalproductsisgrowingmoreslowly. Therefore,wemustdevelopnewoverseasmarketsfor ourproducts.

Anotherfactorpointingtothe importanceofexports--toagricultureisthelevel offarmequityasithastrackedlevelofexports overtime.Expandingexportmarkets,while certainlynottheonlytool,isaveryimportant toolforleadingusoutofthecurrentslumpin agriculture.Therecoveryislikelytobeagradual one.Itisestimatedthat45percentoftheworld's economyoutsidetheUnitedStatesisnowsuffering recessionordepression.Buttherearesome promisingsignsofrecovery,suchasinKorea,for example.

Asalong-termstrategy,expanding ourexportmarketsiscritical.Akeytoexpanding exportmarketsandincreasingouraccessto customersoutsidetheU.S.isthroughtrade agreements.Wewouldnotbeatthelevelofexports currentlyifwehadnotnegotiatedtradeagreements suchastheUruguayRoundandtheNorthAmerican FreeTradeAgreement.

Tradeagreementshaveclearlyboosted exports.Soonaftertheimplementationofthe UruguayRound,U.S.agriculturalexportsreached theirhighestlevel.Ofcourse,manyfactors, includingexchangerates,affectthelevelof exports,butalmostalleconomistsagreethat loweringtradebarriersthroughtradeagreementshas beenacriticalfactor.Itisestimatedthatinthe year2005,agriculturalexportswillbefivebillion dollarsmoreannuallythantheywouldhavebeen withouttheUruguayRoundagreement.

Othertradeagreementshavesimilar benefits.Itisestimatedthatin1994wesold1.3 billiondollarsmorebeefandcitrustoJapanthan wewouldhavewithoutthetradeagreementwe successfullynegotiatedwiththatcountry.For exportgrowthtocontinue,wemustmoveforwardwith ourstrategyforopeningmarketsthroughtrade agreements.

NAFTAisalsofulfillingitspromise toagriculture.OurNAFTApartners,Canadaand Mexico,havebecomemoreimportantdestinationsfor U.S.products,nowaccountingforover25percentof U.S.exportsales,surpassingthetotalforthe EuropeanUnion.Weestimatethatinitsfirstthree years,NAFTAcantakecreditforthreepercent additionalexportstoMexicoandsevenpercent additionalexportstoCanada.The11percentgrowth from1997to1998inexportstoMexicoandCanada wasespeciallywelcome,asoverallU.S.exportsfell sixpercentthatsameyear.Thus,theNAFTA agreementhelpedoffsetthesalesdeclinesthatwe experiencedwithseveralleadingAsianmarkets.

Ontheotherhand,werecognizethat althoughweachievedmanybenefitsforagriculture inourrecenttradeagreements,theplayingfieldis farfromlevelandthere'smuchworktobedone.A majorpartofourstrategytoleveltheplaying fieldforagricultureistobesuccessfulinthe upcomingWTOround.Tounderstandwhereweare goingintheWTO,itisimportanttounderstand wherewehavebeen.TheGeneralAgreementon TariffsandTrade,ortheGATT,wasestablishedin 1948andsetthebasicrulesforinternational trade.AnumberofmultilateralGATTnegotiations, orrounds,tookplacebetween1948andthepresent, withthemostrecentround,theUruguayRound, concludingin1994.TheUruguayRoundestablished theWorldTradeOrganization,ortheWTO,whichis basicallyacontinuationoftheGATTsystem. TheUruguayRoundagreementsopeneda newchapterinagriculturaltradepolicy,committing countriesaroundtheworldtonewrulesandspecific commitmentstoreducelevelsofprotectionand supportthatwerebarrierstotrade.Agriculture finallybecameafullpartnerinthemultilateral tradesystem.Forthefirsttime,countrieshadto makeacross-the-boardcutsinagriculturaltariffs;

forthefirsttime,exportsubsidieshadtobe reducedandinternalsupportpoliciesthatdistort tradewerecappedandreduced.Newrulesseta scientificstandardformeasuresthatrestrict importsonthebasisofhuman,animal,orplant healthandsafety,andanewdisputesettlement processwasadopted,onethatwehavesuccessfully usedinanumberofcases.Infact,somethinglike 150caseshavebeenfiledwiththeWTOoverthelast fiveyears,andmorethanathirdofthosewere broughtbytheU.S.

Andjusttogiveyouanexample,we recentlywondisputesettlementpanelsagainstthe Europeanbanonbeefandcattleproducedwithgrowth hormones,andagainsttheEU'sbananaimport licensingregime,andalsoagainstJapan's restrictivequarantinerequirementsforfresh fruit.Wenowmustmaintainafirmlinetoensure thatthebananaandhormonedecisionsarecarried outsothatU.S.exportershavetheaccess determinedtobetheirlegalright.

TheUruguayRoundagreementwasa goodstartandithascontributedtoincreasedU.S. agexports,buttheUruguayRoundwasjustastart andthefirstimportantstepinglobalagricultural

tradereform.Wearenowplanningforthenext
majorstep,which,ofcourse,willbegininSeattle
onNovember30th.Thatmeetingwillbeamajor
event,withrepresentationbymostofthe134member
countries.Wealsoexpectstrongprivatesector
attendance.Theactualnegotiationswillstartnext
yearandthescopeofcoverageofthenegotiations
isyettobefinallydetermined.Butagriculture
andserviceswilldefinitelybeincluded.The
generalexpectationisthatthenegotiationsshould
lastthreeyearsandbecompletedin2004.
Insettingtheagendaforthenext
WTOroundofagnegotiations,wewillbuildonthe
UruguayRoundaccomplishments.Tariffswerereduced
inthatUruguayRound,butasothersherehavesaid,
they'restilltoohigh,withsomecountries
maintainingagtariffsof50percentormore,while
theU.S.averageisabouteightpercent.Itisour
goaltonegotiatefurtherreductionsinthese
tariffs.Wealsowanttoexpandmarketaccessunder
TariffRateQuotasbyincreasingthequotaamount

anddecreasingthetariffoutsidethequota.
Wealsowanttoseeareductionor
eliminationofexportsubsidies,especiallyforthe
EuropeanUnion.TheEUhasoutspentusbymorethan

20tooneonexportsubsidies,andlastyeartheEU accountedfor85percentoftheworldwideuseof exportsubsidies.

Anotherprobleminagricultural marketsareStateTradingEnterprises,orSTE's, whicharegovernmententitiesthatactastrading monopolies.WhenanSTEhasgovernmentauthority andmonopolypower,itmaybeabletopricetheir productsartificiallylowandunfairlyincrease theirmarketshare.Itisimportantthatwedevelop stricterWTOrulestoensurethatSTE'soperateina fairandtransparentmanner.

Trade-distortingdomesticsupportis beingreducedundertheWTOrules,buthereagain, theplayingfieldisstillveryuneven.A comparisonofthelevelsofsuchsupportshowthat globally,butespeciallyinEuropeandJapan, domesticsupportremainshigh.Ourgoalforthe nextroundistomakefurtherprogressinseeing thatgovernmentsgiveto--seeingthatgovernment assistanceforagricultureisprovidedinwaysthat

donotdistortmarkets.Generoussubsidyprograms
thatencouragefarmerstoproduceasmuchas
possiblewithoutregardtoefficiencyor
environmentalcostscanonlybesustainedbykeeping

outcompetitionanddumpingsurplusproductionon theworldmarkets.AndthattendstohurtU.S. products.

Othergoalsfortheroundinclude ensuringthatexistingstrong--theexistingstrong agreementrequiringthatbarriersrelatedtohealth andsafetybebasedonsoundscienceiscontinued andfindingbetterwaystoallowtradingproducts resultingfromscientificinnovation,suchas biotechnology.

TradereformthroughtheWTOprovides thesinglebestmeanstoincreasemarketaccessfor U.S.productsworldwide.InoneWTOagreementwe canget134countriestocuttariffsandother barriers.Butgettingallthesecountriestoagree onmajorreformswilltakealotoftimeandeffort anditwon'tbeeasy.TheU.S.hasalready completedmuchpreparatoryworkinGenevawherethe WTOislocated.WeareusingtheWTOCommitteeon Agriculturetoidentifyplaceswherecurrentrules andcommitmentsdon'tgofarenoughtoopenup markets.Atthesametime,we'reusingaless formalprocesstobuildaconsensusandpreparethe groundforthetoughnegotiationsthatareyetto come.

Inputfromthoseofyouwhowillbe mostaffectedbytheresultsoftheWTOnegotiations iscriticalatthisearlystageandasUSDAandUSTR worktogetherinthenegotiationsthatlieahead. Weneedyouradviceandsuggestions,includingany specificproposalsthatyoumayhaveforour negotiations.

Finally,Iwouldjustliketoadd thatinadditiontothetestimonythatwereceive heretoday,wecertainlyencourageyou,inan ongoingway,tocontinuetoprovideyourcommentsto USDA,toUSTR,totheStateDepartmentasour positionsonthesevariousagnegotiationsbecome moredetailedandformalizedoverthemonthsahead. Andthankyouandwelookforwardto thetestimony.

MR.PURCELL:Okay.Nowwe'llbegin what'sreallytheheartandsouloftoday'ssession, thecommentsandtestimonyfromtheaudience. Again,youhavefiveminutesandthentherewillbe afive-minuteperiodforquestionsfromthepanel.

Andwe'renotgoingtoberealfanaticsaboutthis, butweaskeveryonetocooperatebecausethe scheduleisprettytight.Butifworsecomesto worse,wedohaveamanwithahookbehind,inthe wingoverthere,andmycousinBubbaisbehindthe wingoverhere.

Solet'sgetstarted.Firstwe're goingtohearfromtheLouisianaDepartmentof AgricultureandMr.RoyJohnson.

MR.JOHNSON:Thankyouverymuch.

ThankyouforinvitingtheLouisianaDepartmentof AgricultureandForestrytothislisteningsession. CommissionerBobOdomsendshisbestregardsand regretsthathecan'tbeherewithustoday.

MynameisRoyJohnsonandIserveas themarketingdirectorandinternationaldirector, tradedirector,oftheLouisianaDepartmentof AgricultureandForestry.Aportionofmy responsibilityismonitoringandevaluatingthe importsofagproductsintotheU.S.,especially thosethatareindigenoustoLouisiana.

Iamheretodaytovoiceourserious concernsononeprovisionoftheU.S.Antidumping Law,TitleVIIoftheTariffActof1930. Specifically,we'reconcernedabout19U.S.C.,1675 (a)(2)(B),orthe"newshipperreview"portion. ThisprovisionwasincludedintheUruguayRound agreement,andaccordingly,TitleVIIwasamended. Subsequently,U.S.DepartmentofCommerce promulgatedregulations(19CFR,subsection351.214) thatestablishedproceduresforanewforeign exporterorproducertoapplyforaseparateduty foraproductfromacountryalreadyunder antidumpingorders.

Newshipperreviewsaretobemadeon thebasisofanapplicationfromanexporteror producerthatwasnotexportingthesanctioned productduringtheantidumpingpetitionperiodof investigation.Frequently,asingleshipmentis usedforthebasisofthisreview.Thereviewis supposedtoconsideracommerciallyviableshipment madetotheU.S.bythenewshipperafterthe antidumpingdutyorderbecameeffective.Theimport priceofthisoneshipmentisthenusedbyU.S. DepartmentofCommercetodeterminethedumping marginforthisnewexporter.

Whencommerceconsiders--considered commentsonitsproposedregulationstoimplement thenewshipperreviewprovision,commenters requestedsomemethodtodetermineifthisone shipmentwasabonafidesale.Thecommenterswere concernedabout,andIquotefromtheFederal Register,"newshippersconspiringwithan unaffiliatedU.S.customertoengageinasingle transactionatahighpricethatwouldgeneratea dumpingmarginanddepositandassessmentratesof zero."Commercedecidednottoadoptanysafeguards forthisprocedure,believingthat,andIquote again,"thestatutoryandregulatoryschemesprovide adequatesafeguardsagainstsuchmanipulation,"end quotes.Pleaseletmetellyouhowthesesafeguards havenotprovedadequateandwhythisregulationis referredtoasthe"antidumpingloophole."

Intheearly1990s,ourdepartmentin Louisianastartedmonitoringtheimportsofpeeled crawfishtailmeatfromChina.Theimportstarted asasmalltricklebutincreasedrapidlytoa catastrophicflood.Importsofcrawfishtailmeat fromChinarosefrom600,000poundsin1993toover 10millionpoundsin1995,justtwoyears.

In1996,theLouisianaCrawfish ProcessorsAlliance,agroupofU.S.crawfish producers,withtheassistanceofCommissionerOdom andtheLouisianaDepartmentofAgriculturefiledan antidumpingpetitionwiththeU.S.International

TradeCommissionandtheU.S.Departmentof Commerce.Thefundingofthispetitionprocesswas madepossiblebyanappropriationfromtheLouisiana Legislatureandfromindustryfunds.

Subsequenttotheinvestigation requestinthispetition,crawfishtailmeat importedfromChinawasfoundtohavecausedinjury totheU.S.industry.In199--inSeptember1997, theU.S.DepartmentofCommerceissuedan antidumpingorderoncrawfishtailmeatimported fromChina.Theextentofthedumpingwassogreat thatthedutyratesannouncedwerefromalowof 91-and-a-halfpercenttoover201percent.

In1998,anewshipperofcrawfish tailmeatfromChinafiledarequestforaseparate dutyundertheprovisionsoflawandregulations mentionedabove.Therequestwasmadebasedonone smallshipmentmadeduringthisshipper'speriodof investigation.Basedontheartificialpriceof thatoneshipment,Commercegrantedthenewshipper azerodutyrateonMay24th,1999.Thisisexactly whatthecommentershadpredictedinMayof1997.

Howdidanewshippergofromthe weightedaverageofthedutyintheoriginal antidumpingorderof123percent,forthose

producersorexporterswhocooperatedwithCommerce
intheirinvestigationtozero?Arethosecostsof
productiontothisnewshippersomuchdifferent?
No.Thedifferencebetween123percentandzerois

thedeclaredvalueofthatonesmallshipmentand howthatvalueaffectstheformulausedbyU.S. DepartmentofCommerce.Nothingchangedexceptthe highexaggeratednon-commerciallyviableimport price.Sourcesintheindustrytellusthat crawfishtailmeatisnowbeingofferedbythis exporteratpricesmuchlowerthantheimportprice usedinhispublicsubmissionstoCommerce.

Wearenowfacingthreemorenew shipperrequests.Thepreliminarydutyonthese companiesaredueoutlaterthismonth;weare conditionedtoexpectmorebadnewsfromthesenew shipperrequests.Theyhavelearnedtheirtricks well,andwhatistopreventthemfromusingthese sametactics?

Thisloopholeintheantidumpinglaw mustbeclosed.ThedemandsontheU.S.industryto fighteachnewshipperinaseparateadministrative proceedingareexceedinglyburdensome.Ourstate hasbeenforcedtofundtheoriginalpetitionand oppositiontoeachnewshipper,andthenagainfund ourparticipationintheannualreviewwhichalso includesthesesamenewshippers.Thisdoublesour costsintryingtomaintaintheviabilityofan industrywhichissoimportanttotheeconomyand socialfabricofourstate.

Somethingmustbedonetoensurethat exports,slash,producersarenotbased--arenot basingtheirapplicationonfiction.Newshippers shouldbegranted,uponapplication,thepreferred weighted-averagedutygiventothoseexporterswho agreedtocooperatewithcommerce,butwhose facilitieswerenotchosenforinvestigation.Then thenewshipperscouldbeautomaticallyincludedin thenextadministrativereview.

Irealizethatproceduresfornew shipperreviewsarebasedoncommitmentsmadeinthe UruguayRound,butyoushouldrealize,asyou prepareforSeattle,thatthoseproceduresarenot workingandaredetrimentaltothepurposesofthe antidumpinglaw.Iofferttheassistanceofmyself, ourdepartment,tofurtherclarifyanddescribeour experienceswiththeTitleVIIAntidumpingPetition involvingananagriculturalproductagainsta non-marketeconomy.

Thankyouverymuchforyour

attention.

MR.PURCELL:Questions?

MR.ACETO:Actually,Ihavea

question,Mr.Johnson.Areyouawareofthisbeing a problem with other products or in other states? Have you heard from other state agriculture departments as to whether this is an extensive--

MR. JOHNSON: No, I haven't. This zero duty came out last month -- well, it came out in May.

MR. ACETO: But I mean the general problem of sending in -- what you're saying is kind of a one shipment to get a margin and then coming in after. Are you aware that this is a problem in other--

MR. JOHNSON: I don't know that this has ever been used before in agriculture. It has been used in other products, and the attorneys in the Beltway are very familiar with it, especially those who are specializing in international trade. As far as I know, this may be the first time this (inaudible).

MR. ACETO: Thank you.

MR. PURCELL: Any further questions? Okay. Thank you, Mr. Johnson.

Nextwe'regoingtohearfromthe
TexasFarmBureauandCurtMowery.
MR.MOWERY:Mr.Chairmanandmembers
ofthecommittee,theStateofTexasappreciates

youropportunityofcominghereandlettingussound ourcomments.Weappreciatetheopportunityto testifytodaybeforeyouregardingnegotiating objectivesforagricultureinthenextroundof tradetalksintheWorldTradeOrganization.

Ourorganization,theTexasFarm Bureau,represents312,836membersinthestateof Texas.Ourmembersproduceabroaddiversityof agriculturalcommoditiesincludingbeefcattle, cotton,dairy,poultry,corn,wheat,rice, vegetables,andanumberofothercrops.Texas producersdependonaccesstocustomersaroundthe world;morethan24percentofTexascashreceipts wereattributedtoagriculturalexports,3.1billion in1997.Texasagriculturalexportsgeneratedan additional4.1billionineconomicactivityand created44,000jobsinthestate.

AgricultureisoneofthefewU.S. industriesthatconsistentlyrunsatradesurplus, postingapositivetradebalanceoftradeeveryyear since1960.TheU.S.,alongwithagriculture,must beatthenegotiatingtableinthenextWTOtrade roundsinameaningfulwaywithtradenegotiating authoritytoensurethatthesurplus,thistrade surplus,continues.

TheabilityofU.S.agricultureto gainandmaintainashareofglobalmarketsdepends onmanyfactors,though,includingobtainingstrong tradeagreementsthatareproperlyenforced, enhancingtheAdministration'sabilitytonegotiate increasedmarketaccessforU.S.agriculture,and buildinginthenecessarychangestotheWTOdispute settlementprocesstoensuretimelyresolutionof disputes.

WhenCongresspassedthe1996Freedom toFarmAct,itphasedoutourpricesupports, makingU.S.agriculturemoredependentontheworld market.Americanfarmersandranchersproducean abundantsupplyofcommoditiesfarinexcessofour domesticneeds,andourproductivevaluecontinues toincreaseeveryyear.Exportsareagriculture's sourceforfuturegrowthinsalesandincome.

Asyou'rewellaware,U.S. agricultureisreelingfromlowcommodityprices thisyear.InTexas,totalcashreceiptsfrom foreignmarketsdeclined3.5percentfrom1997to

1998andhavefallenanadditional11percentsofar thisyear.For1999,Texascashreceiptsforcrops areoff38percentcomparedtothissametimelast year.Givenanabundantdomesticsupplyanda stableU.S.populationrate,thejobofexpanding existingmarketaccessandopeningnewexport marketsforagricultureismoreimportantnowthan ever.Agriculture'slong-standinghistoryofa tradesurpluswillnotcontinueifwerelegateto thesidelinesasnewnegotiationsinagriculture commercecontinue.

Moreover,globalfooddemandis expandingrapidly,andmorethan95percentofthe world'sconsumersliveoutsidetheU.S.borders. DespitesignificantprogressinopeningU.S. markets,agricultureremainsoneofthemost protectedandoneofthemostsubsidizedsectorsin theworld'seconomy.Inaddition,U.S.agricultural producersareplacedatacompetitivedisadvantage duetothegrowingnumberofregionaltrade agreementsamongourcompetitors.MERCOSUR,for example,hasprovidedArgentinawithtrade preferencetoBrazilwheatmarkets,costingTexas producerslostsalesandprofitsinthatgrowing marketforgrains.

Whatweseeisobjectivesforthe nextround.OurU.S.negotiatorsmust comprehensivelyaddresshightariffs,trade distortingsubsidies,andotherrestrictivetrade practicesinthenewroundofnegotiationson agriculture.

Ourmarketisthemostopeninthe world.There'snodenyingthat.Wecannotsitidly bywhileourcompetitorstradeopenlyinourmarkets butdenyusaccessintotheirmarkets.Wemust beginthenegotiationsandconcludethemasearlyas possibletoincludeU.S.andTexasagricultural producersonalevelplayingfieldwiththerestof theworld.Tothisend,wesuggestagoalto completetheagriculturalnegotiationsbytheendof 2002toensurethatproducersgainincreasedmarket accesstothesemarkets.

Second,wesupportasingle undertakingforthenextroundwhereinall negotiationsconcludesimultaneously.Thisformat wouldpreventothercountriesfromleavingthe difficultagriculturalnegotiationsuntilthebitter end,whilemoreorlesscherry-pickingtheeasier negotiationsinothersectors.Webelievethatthis approachwillpreventlong,drawn-outnegotiations thatbecometoocomplicatedtoconclude expeditiously.

Third,wemustcallforthe eliminationofexportsubsidiesbyallWTOmember countries.Ourproducerscannotcompeteagainstthe mountainofspendingbyourprimarycompetitorslike theEU.TheEUspendsinexcessofeighttimesthe levelofdomesticandexportsubsidiesastheUnited States.DatafromtheUSDAandtheEuropean CommissionshowthattotalEUdomesticandexport subsidyexpendituresfor1997exceeded46billion dollars,comparedto5.3billionspentbytheUnited States.Thislevelofspendingdistortsworldtrade andunderminesU.S.producers'competitivenessin vitalexportmarkets.EUexportsubsidiesonwheat aloneaverage$1.13abushelduringAprilof1999. Asaresult,Texaswheathasbeenputatadistinct disadvantageontheworldmarket,sellingatnearly $5atonabovewheatfromtheEU.Consequently,EU exportsubsidieswereoneofthefactors contributingtothedeclineinU.S.Gulfwheat exports.

Fourth,webelievethatthenew negotiationsmustincludearecommitmenttoa bindingagreementtoresolvesanitaryand phytosanitaryissuesbasedonscientificprinciples accordingtotheWTOagreementofsanitaryand phytosanitarymeasures.UnfoundedMexicanhealth restrictionsonhogsareoneexampleofa non-scientificanimalhealthregulationwhichhas virtuallystoppedTexashogproducersfromentering Mexicoduringcertaintimeperiods.Fortunately, manyoftheseissueshavebeenresolved,butnot beforetradesweredisruptedandpricesdeclined. TheprovisionsoftheUruguayRoundSPSagreement aresoundanddonotneedtobereopened,inour opinion.

Fifth,thenextroundshouldresult intariffequalizationandincreasedmarketaccess byrequiringU.S.tradingpartnerstoeliminate tradebarrierswithinspecifictimeframes.Our producerscompeteopenlyintheirowndomestic marketandwiththeirforeigncompetitors,butare shutoutofexportmarketsduetohightariffs. Canadiantariffsof250percentonimportedmilkand 300percentonbutterhaveseverelylimitedTexas accesstoaffluentconsumermarkets.Weneedto correctthisimbalanceforallourfarmers.AllWTO membercountriesshouldreducetariffs,bothbound andapplied,inamannerthatprovidescommercially meaningfulaccessonanacceleratedbasis.

Sixth,wemustimposedisciplineson StateTradingEnterprisesthatdistorttheflowof tradeinworldmarkets.Everyeffortshouldbemade tocraftanagreementthatshedslightonthe pricingpracticesoftheSTE'sandendtheir discriminatorypractices.Ourproducershavelost toomanysalesinthirdcountrymarketsduetothe noncompetitive,nontransparentoperationsofSTE's. Seventh,wemustensuremarketaccess forbiotechnologyproductsformedfromtheGMO. Significantdelaysandalackoftransparencyinthe regulatoryapprovalprocessforGMO'sintheEU indicateaneedtoclearlyestablishthat biotechnologyproductsarecoveredbythe science-basedprovisionsoftheWTOSPSAgreement. WecannotcontinuetobeheldhostagetotheEU's nontransparentdiscriminatoryprocessthatdenyus marketaccessjustbecauseofourGMOproducts. Finally,ournegotiatorsmustmake changestotradingpracticesthatwouldfacilitate andshortendisputeresolutionproceduresand processes.TheprocessforaWTOdisputesettlement casetypicallyrunstwoyears;threeyearsifthe WTOrulingisimplemented.Ourtradingpartners cannotbeallowedtounilaterallyweakentheveryprinciplesnegotiatedinthatUruguayRoundAgreement.Theexpediteddisputesettlementprocessforperishableagriculturalproductsoutlinedinthe

WTODisputeSettlementUnderstandingshouldbe modifiedtoallowtheproceduretobeusedifthe agreedpartyrequestsit.CurrentlytheWTO requiresthatbothpartiesinthecaseagreetouse thisprocedure.Asaresult,it'sneverbeenused.

Asmentioned,nearly25percentof Texasfarmcashreceiptsareattributedto agriculturalexports,withanadditional4.1billion ineconomicactivitytoTexastieddirectlytothese sameexports.Insummary,wesupportliberalization inglobalagriculturalmarketsthatwillresultin truereformofthecurrenttradingregimeandbring aboutfairtradeforourproducers.Withdeclining governmentsupportstoU.S.agriculture,however, greateraccesstointernationalmarketswillbean importantforceininfluencingthefuturegrowthand prosperityoftheagriculturaleconomyofTexasand theUnitedStates.

Mr.Chairman,onapersonalnote, it'sextremelyimportantthatthismessagebe deliveredinWashington,theimportanceofopening

marketswithwhichwecurrentlyhavetrading
restrictionswith.Theseincludesuchcountriesas
Iran,Iraq,LibyaandevenneighborsoftheU.S.,
Cuba.Thesurvivaloftheagricultureindustryin

thiscountryasweknowittodayisdependentupon theprinciplessetforthinthepresentationandthe openingofsanctionedmarkets.

Justasasidenote,wethankyoufor the--asCommissionerCombsalludedto,aboutthe lambissueonthemarkets,thelambindustryneeds thatsignificantly.Butwefeelitshowstheneed foramorespeedyresolutiontothoseWTOdisputes.

Ifyouhaveanyquestions,I'llbe happytoanswerthose.

MR.GALVIN:Thanks,Curt.Justa coupleofquickcomments,ifIcan.Firstofall, onyourpointaboutsanctions,asyouknow,the Presidenthasannouncedarevisedsanctionspolicy. Andwe'reverybusynowworkingontheregstoput thatinplace,andwe'rehopingthatthey'regoing tobeadoptedinthenexttwotothreeweekssothat wecanactuallystartmakingsalestoplaceslike IranandLibyaandelsewhere.

I'dliketogobacktooneofthe earlierpointsthatyoumade,becauseIthinkit'sa pointthat'softenoverlooked.Andthatis,there arealotoffreetradeagreements,specialtrading arrangementsinthishemisphere;there'sover30of them,andtheU.S.isapartytoonlyoneofthem, and,ofcourse,that'sNAFTA.Ithinkoneofthe realriskswehaveifwedon'thavethenegotiating authorityweneedisthatwewon'tbeabletoreally gettothetabletomakesurethatwehaveapartin thesemarketopeningagreements.

Andagoodexampleofhowthat disadvantagesU.S.producersisthecurrentfree tradearrangementthatCanadahaswithChile. Becausethosetwocountrieshaveafreetrade agreement,Canadiangrainandlivestockandother productsgetintoChileessentiallyduty-free,and that'san11percentadvantagethatwedon'tenjoy hereintheU.S.

MR.MOWERY:That'sgreat.We appreciatethat.

MS.BOMER-LAURITSON:Yeah,Ihavea questionon--youraisedtheissueofthesingle-- basicallythesingleundertakingthatweshould includeallpartsofamultilateralagreementatthe sametimesothatagriculturedoesn'tgetleft behind.AndIknowthat'saconcerntothe agriculturalcommunity;Iguess,though,ifwhat yourviewisifthereversewereretrue.For instance,ifwewereabletogetagreementon agricultureinthetwoorthree-yeartimeperiod, buttherearea ctuallysomemuchmoredifficult sectorsthatwearelookingtonegotiateon,should weholdagriculturehostagetotheconclusionofthe negotiationsofsomeofthoseothersectors?

MR.MOWERY:We--inouropinion,we feeltosomeextentagriculturehasbeenheld hostagetothat.Theyhavegottentoanagreement andneedonemorebargainingchip;thatbargaining chipseemstobeoursegment,ourindustry.It seemstobesomethingthatwillprobablycausethe leastamountofproblemorleastamountofgriefup inWashingtonwhentheagreementissold.And it's--whetherthetariffsareincreasedtothat countryorwhatever,whateverittakestomakeit work,weprettymuchfeelwe'rethebargainingchip thatisusedtohelpgettheagreementtogoahead andsettlethrough.

MS.BOMER-LAURITSON:AndIhave anotherquestiononbiotechnology.Youmadea commentthatyoudon'treallyseeareasonfor openinguptheSPSAgreementforrenegotiation,but lookingforrecommitmenttoit.Andthen,inyour laterremarks,youtalkedaboutbiotechnology incorporatingthatintoSPS.Haveyoulookedata mechanismofhowwebalancethosetwosothatwe don'topenuptheSPS,butsomehowmakesurethat theproblemswearehavingwithEUonapproval processesissomehowmorefirmlylinkedtotheSPS?

MR.MOWERY:No,wehaven't.Notto myknowledge,no.

MS.BOMER-LAURITSON:Andthatwould besomethingIthinkwewouldwelcomeideas--

MR.MOWERY:Onthat?Yeah.

MS.BOMER-LAURITSON:--onthatas tohowwe'regoingtomovebiotechforwardwithout openinguptheSPSAgreement.

MR.MOWERY:Okay.Wecandothat. Thankyou.

MR.PURCELL:Okay.Nextwe'llhear from,representingFarmlandIndustries,J.B. Cooper.

MR.COOPER:Greetingstoyou,the Panel,onthisimportantissuetoday.Iappreciate theopportunitytoappearbeforeyouinthis listeningsession.MynameisJ.B.Cooper.Iama farmeractiveintheproductionofcottonandgrain sorghumsince1950inWestTexas.I'mamemberand patronofFarmlandIndustriesthroughmyassociation oftwolocalcooperativesinmyhomearea.I've beenadirectoroftheFarmlandIndustriesboardin yearspastandnowserveontheGulfNationsCouncil forthatorganization.

FarmlandIndustriesisthenation's largestfarmer-ownedcooperative.Foundedin1929, itisafederatedco-opofover1,700cooperative partnersand600,000farmer-ownerswhomakeupthe FarmlandCooperativeSystem.Farmlandhasmajor businesses,unitsinfertilizer,meats,grain, feeds,petroleum,andshipping.Focusingonmeeting theneedsoftomorrow'scustomer,Farmlandhas adoptedbusinessstrategiestomeetthedemandof globalconsumersthatisaproducer-owned cooperative.

Thefutureeconomicwell-beingof Americanagricultureiscloselytiedtoour competitivenessinanexpandedglobalmarket.The importanceoftradetothefutureofAmerican agriculturehasbeenemphasizedinthe1996Farm Bill,withthereductioninsupportoffarm programs.TheU.S.producerwilldependonexports foranestimated35percentofgrossreceiptsbythe year2003.U.S.tradepolicymustreflectastrong commitmenttoexpandingworldmarkets.

Theimportanceoftradeis underscoredbyAmerica'sshrinkingshareofthe world'spopulation.Americanowcomprisesonlyfour percentoftheworld'spopulation,andwe're experiencingminimumpopulationgrowthwhilemanyof thecountriesthatwetradewithareexperiencing significantpopulationgrowth.Tofurtheraddto thisphenomenaisagrowingstrengthofthemiddle class.Thepowerofemergingmiddleclasses worldwidemadeupofconsumerswiththeabilityto shifttheirconsumptionpatternshavebecomea criticalfactordrivingconsumermarkets.

InIndia,forexample,there's115 millionnewmembersinthemiddleclassin2005.In Chinatherewillbe196millionmoremembersofthe middleclassby2005.Thesenewmiddleclass consumersaroundtheworldrepresentabooming potentialmarketforourforeignproducts.

TheFarmlandSystemhasdeveloped businessstrategiesfocusedontacklingthe potentialoftheemergingworldmarkets.Duringthe pastsixyearstheFarmlandSystem'sinternational saleshavegrownfromlessthan200milliontoover

4.1billiondollars.InMexico,sincethepassage oftheNorthAmericanFreeTradeAgreement,our tradehasincreasedfromlessthan50millionin 1992to450millionin1998.

TheannualsalesofFarmland Industriesoverthelastcoupleofyearshas amountedtoover10milliondollars.Soabout40 percentofthetotalsalesofFarmlandIndustries, whichiswhatthecooperativehasnow,ismadeupof internationalsales.

Asyoupreparefortheupcomingtrade roundthisNovemberinSeattle,pleaseconsiderthe followingitemsthatwehopetoillustrate:

Eliminationofexportsubsidies,tariffsmustbe furtherreduced,StateTradingEnterprisesmust evolvetofullpricetransparencyandeventuallyto freemarketentities,therulesgoverningsanitary andphytosanitarymeasuresmustcontinuetobe stronglybasedonsoundscienceandriskassessment, assuretradeingenetically-modifiedorganismsis basedonfair,transparent,andscientifically acceptablerulesandmeasures.

Negotiationsshouldbecomprehensive, withtheuseofexpeditedactionsandtimeliness, withthesameundertakingduringthenextroundof negotiations.Disputesettlementmechanismsmustbe shortenedandtheremustbeanendintheprocess.

Ifcountriesarepermittedtodisregarddispute settlementfindings,producerswillhave--lose confidenceinthemultilateraltradingsystem.

Thankyouagainfortheopportunity toappearbeforeyoutodayandprovidecommentson prioritiesfortheupcomingtradetalks.American farmers,ranchers,andagribusinesspeopleare growingmoreandmoredependentoninternational tradefortheirlivelihoodanditisbecoming increasinglyimportantfortheU.S.governmentto haveatradepolicythatisstronglycommittedto expandingopportunitiesforAmericanfarmers, ranchers,andbusinesses.Thankyou.

MR.GALVIN:Thankyou,Mr.Cooper. Weappreciateit.

MR.PURCELL:Ijustnoticed somethingaswegoalong.Ifyouhaveapageror cellphone,pleaseturnitoff.Becauseonceagain, thisisbeingtransmittedliveontheInternetandI knowalotofradiostationsarerecordingit.

Nextwe'regoingtohearfromthe AmericanPeanutShellersAssociation,Evans Plowden,Jr.

MR.PLOWDEN:Thankyou.Good
morning.Again,I'llrepeatthecommentsofearlier
speakers.Weappreciatethisopportunitytopresent
ourviewstoyouontheupcomingtradetalks.We

particularlythankCommissionerCombsandherstaff fortheaccommodationsthatthey'vemadetousover thelastfewweeksinpreparingforourtestimony andtheseaccommodationsheretoday. IrepresenttheAmericanPeanut ShellersAssociation.Ourorganizationisatrade associationrepresentingmostofthecommercial peanutshellersintheUnitedStates.TheU.S.is thethirdlargestproducerofpeanutsintheworld; however,wearethelargestproducerofedible peanuts.BothChinaandIndiaproducemorepeanuts thanwedo,butmostoftheircropiscrushedinto oil.Theyare,however,asignificantproducerof ediblepeanuts,butnotquiteaslargeasweare. Mostofourcrop--mostofthe UnitedStatescropisusedforediblepurposesin confectionery,peanutbutter,andsaltednuts.The UnitedStatesisamajorexporterofediblepeanuts intheworldtrade,althoughinthelastfewyears, itisnotthelargestexporter.Atonetimewedid occupythenumberoneposition,butwenolongerare numberone.Butweareamajorexporter.

Werecognizethattoday,thisnext
roundoftradetalks,isinavery,veryearlystage
andwedon'tknowwhatothercountries'proposals

maybewithrespecttopeanuts.However,thereare twoissuesthatarefairlycleartodaythatwe'd liketopresenttoyou.

Wearealsoconvinced-andIwantto emphasizethisasmuchasIcan-thatthenext roundofinternationaltradenegotiationswillbe vitalwithrespecttothepeanutindustry.The health--futurehealthoftheindustry-andI includethatinthatterm,notonlyourgroupbut growersandmanufacturersaswell-willbe influencedbytheresultsofthisnextround.

ThetwoissuesIwanttomention todayareconflictingUnitedStatespoliciesand unscientificEuropeantrade--I'mtoldtocallthem standards.Iseethemasbarriers.ButIguessto bepolite,theywouldbecalledstandards.Bothof thesearegoingtoadverselyaffecttheUnited Statespeanutindustry.

First,theconflictingUnitedStates policies.Ourcountryhasfavoredfreetrade.Most ofthespeakersheretodayalsofavorfreetrade.

Andpursuanttothatpolicy,we'veopenedour bordersto significantquantitiesoflower world-pricedediblepeanuts.Theseimportsenterin theformofeitherrawpeanuts,kernelsorin-shell, peanutbutterorpeanutpaste-whichisessentially aprimitiveformofpeanutbutter-andalso, importantlyandsomewhatoverlooked,asan ingredientinconfections;candycomingintothe UnitedStatesthatalreadyhaspeanutsinit.

TheUnitedStatesalsomaintainsa domesticquotapeanutprogram,which,inessence, requirespeanutshellerstopurchaseonlydomestic quotapeanutsfordomesticedibleuse.Those domesticpeanutsaresupportedatapriceof--a nationalpriceof$600perton.Therefore,onthe onehand,we'refacedwithagovernmentpolicythat allowsworld-pricedpeanutsintotheUnitedStates, whicharereoughly$350perton,andanotherpolicy thatrequiresustopurchaseforourusesmuch higherpricedpeanuts.

Letmeemphasizethattodaymygoal isnottodisagreewitheitheroneofthese policies.Advocatescanmakeagoodargumentfor either.Rather,mypointistopointouttoyou thatwecan'tsurvivewithboth.Ourindustry cannotcompetewith$350pertonworldmarket peanutsifwe,bylaw-inessence,bylaw-haveto purchase$610pertonpeanutsforourcompeting product.

I'msuremostofyou-allhaveheard thestoryofthefellowsellingwatermelons,andhe waslosingmoneyoneachoneandhedecidedhis solutionwastomakeituponvolume.Andsohewas goingtobuyabiggertrucktomakeitupon volume.Wesimplycan'tgetalargeenoughtruckto make610competitivewith350.Iwanttoemphasize onemoretime,I'mnotcriticizingeitheroneof thesepolicies,butthey'reinconflictandwecan't survivewiththeexpansionofbothofthem.

Letmetouchamomentonthe unscientifictradebarriersintheEU.TheEuropean Unionisourlargestexportmarketforedible peanuts.Ithasimplementedanaflatoxinimport standardapplicabletopeanuts,and,frankly, applicabletootherproductsaswell,thatisnot scientificbasedandisquitedetrimentaltotrade.

Ratherthandiscussthetechnical detailsofthatrestrictionorstandardhere,I've takenthelibertyofattachinganappendixtomy testimonythatIhopewillgiveyouthetechnical

backgroundthatyoumayneedwithrespecttothat
issue.

Therestrictions,sufficeittosay,
aremuchmorestringentthanthoserequiredinthe

UnitedStatesandthoserequiredorsetby internationalstandard-settingbodies.Meetingthe EUstandardsisvery,verydifficultanddetrimental totheUnitedStatespeanutindustry,butthat difficultyiscompoundedbythesamplingandtesting systemsthatareinuseintheEU.IfUnitedStates peanutsaretestedhereintheU.S.bya USDA-approvedlaboratoryandcertifiedasmeeting eventhosestandardsthattheEUhasset--which, again,wethinkarenotscientificallybased.But evenifwewereallowedtohavethepeanutstested intheUnitedStatesunderthosestandards,wewould havetheassurancethatwhenthosepeanutsreach Europe,theywouldbeaccepted.

Thesituationnowisthatit tested--theEUwillnotrecognizeUSDA-approved labs,andit'sthereforetestedintheEU.Andif forsomereasontheyfailwhentheygetthere,the U.S.shipperisfacedwithaquantityofpeanuts overseaswithvery,veryfewalternativeswith respecttothatproduct.Ifwewereallowedtotest themhere,eveniftheyfailed,wewouldhavea numberofotheralternativesthatwecould practicallyuseandoperateinafashionthatwould allowustomitigate,atleast,theconsequencesof thisunscientificstandard.

Insummary,itwouldbeourhopethat eventuallytheEUstandardcouldbebroughtinline withtheCodexAlimentariusstandard,whichisthe internationalstandard-settingor standard-recommendingbody.Wewouldhopethatthat standardcouldbebroughtinlinewithwhatthey haveconcludedisappropriate.Butintheinterim wewouldhopethatourrepresentativescould negotiateanagreementwiththeEUsothatthe samplingandtestingcouldbedoneinUSDA-approved labsbeforeleavingAmericanports.

Letmejustsayfinallythatweknow we'relookingatanumberofyearsoftasksbefore usandbeforeyou.We'rewillingandanxioustobe ofassistancewhereverwecan.Ifwecontinueon thisconflictingcourse,I'mafraidthatwewillsee theUnitedStatespeanutindustrymoveoffshore, whichwouldbeatragedyforAmericanpeanut growers,ourindustry,manufacturers,andIthink fortheAmericanconsumingpublic.Sowewishyou

wellandwe'llbeofassistancewheneverwecan.
IfIcouldrespondtoanyquestions,
I'dbehappyto.OtherwiseI'llyieldwhatever
time,ifany,Ihavetothenextspeaker.

MR.GALVIN:Mr.Plowden,thankyou.
Irealizethisisabitofaloadedquestion,butdo
youhaveanysuggestionsforusonhowwegoabout
tryingtoresolvewhatyoudescribeasthat
conflictingU.S.policy?
MR.PLOWDEN:Well,Iwouldhavea
coupleofcomments,withthecaveat,Mr.Galvin,
thatnoneofthisbeconsideredasassociation
policy.Butsomehow,ifwe'regoingtoopenthe
borderstoimports,whichwehavedoneeither
throughgrantingothercountriesaccessor,asI
say,usingpeanutsinotherproductsthatcomeinto
theUnitedStates,wehavetofindamechanismthat
protectstheAmericanfarmerpricewisebutdoesnot
penalizethecustomerofthatproductandgivethat
customer,ourpeopleandmanufacturers,an
uncompetitiveproduct.
Andthat'sapolicydecisionthatI'm
sureCongresswillhavetolookat.Ithasfound
thatsolutionwithmany,manyotheragriculture
products,asyouknow.Wheninitswisdomithas

decidedthatagricultureneedssomesupport-not
necessarilysubsidy,butsomesupport-ithasmade
thepoliticaldecisioninawaythatdidnot,atthe
sametime,makethatproductuncompetitiveinits

marketplace. SoIdon'twanttotrytosuggesta specificsolution.Thereareanumberthathave beenkickedaroundinCongress,butIthinkthe basicguidelinehastobethatifwearetocompete inthisU.S.market,thenwehavetohavea competitivelypricedproduct.Now,I'mnot proposingheretodaythatthepeanutfarmerneedsto simplycuthispriceorcuthisincometothelevel ofworldmarket;that'sadecisionthatundoubtedly willbemadeinCongressovertimewithalotof inputfromanumberofpeople.Butwhateverthat solutionis,it'sgottomakethatproductprice competitive.

Formany,manyyearsbeforeNAFTAand GATT--beforeNAFTAandthelatestroundofGATT, therewereessentiallynoimportsofpeanutsallowed intotheUnitedStates.Sotherewasnota competingproductthatwaslowerpriced.Wedon't havethattoday,afterbothNAFTAandGATT,so creativemindsaregoingtohavetofindawayto dealwiththatnewreality. AndI'mnotproposingheretodaythat thewaytosolvethatproblemistosimplycutfarm income,butfarmincomewillbecutunlesswefind ananswertoit,becausetheproductcan'tbesold.

MR.GALVIN:Thankyouverymuch.

MR.ACETO:Justonequickquestion. WhowasthepracticalbeneficiaryofthisEuropean standardbeingset?Aretheymeetingtheir demands--

MR.PLOWDEN:Idon'treallythink it'sthetypicalsituationwhereyouhavesomebody beingprotected,frankly,becausetheEUdoesnot growpeanuts.Ithinkitisaproductofan unrealisticfearwithregardtofoodsafetythat seemstobesweepingthroughoutEurope.Wehavehad somesuccessin--particularlyinCodex,ingetting astandardthatisscientificallybasedandfrankly issimilartothestandardintheU.S.,andworkis continuing.BothUSTRandtheUSDAhavebeenmost helpfulinthatregard,andwejusthopewecan continuetomakeprogresswithrespecttothe standard.

Butifwecan't--inthemeantime, ifwecanfindsomepracticalhelpin,say--you probablyknow,ifyousampleanylargefungible groupofproducts,eventhesampleitselfisgoing tovaryunlessyousampletheentireproduct.And thereforeyoudestroytheproductinthesampling

process.Soyou'regoingtohavevariations.
Weneedasituationwherewecan sampleitattheearliestpoint,wheretheownerhas themostpossiblealternativeswithrespecttothat sample.Rightnowwe'resamplingatthelast possiblepoint.Thankyou.

MR.PURCELL:Okay.Thankyouvery much.
We'vebeengoingprettysteadyhere foranhourandahalf.It's10:30.We'regoingto takeaboutafive-minutebreak,andlet'sallplan onbeinghereat10:35.Yeah.Backinhereat 10:35.Thankyou.

(BREAK)

MR.PURCELL:Okay.We'llget startedbackagain.Andareminder,wearerunning alittlebitbehindschedule.Soareminder,please keepyourcommentswithinthefive-minutewindow,if youcould,andwe'lltryandgetbackonschedule.
Weleftoff--ournextspeakerwill beDanHunter,representingtheNationalPeanut

GrowersGroup.

MR.HUNTER:Dowewanttowaiton
CommissionerCombs?

MR.PURCELL:No.She'sgoingtobe

goneforabout20to25minutes.

MR.HUNTER:Okay.Firstofall,I appreciatetheopportunitytobeherebeforeyou today.It'sanhonortobeabletocomebeforethis group,andweappreciatetheeffortsthat'sbeing madenotonlybyUSDAandUSTRandtheState Departmentaswell,butweappreciatethelistening sessionsthatarebeingheldthroughoutthe country.

IrepresenttheSouthwesternPeanut GrowersAssociation.TodayI'mheretorepresent theNationalPeanutGrowersGroup.TheUnited Stateswas,aswasearliermentioned,wasonce reliedonasthepredominantworldmarketsupplier ofpeanutsbaseduponacombinationofpriceand quality.Withpasttradeagreementsassuring Argentinaandothercountriesashareofthe U.S. market,thetradelawshaveencouragedanexpansion ofpeanutproductionincountrieswhichsuppliesnot onlypartoftheU.S.marketbutalsomuchofthe worldmarket.

Accordingtotradebalancedata,GATT andNAFTAappeartohavecausedAmerica,especially inpeanuts,tobecomemoreforeignfooddependent, andhistoryalwaystellsusthatthosewhobecome dependentuponotherfoodsupplieswillalwaysbe vulnerable.Andwhenwelookatfoodsecurity,we lookatitasanationalsecurityissueandtruly believethatfoodsecurityistheumbrellaof nationalsecurity.

Inouropinion,previoustrade agreementshavefailedtoadequatelyprovide safeguardsforchangingexchangeratesbetween currenciesorfordramaticfluctuationsinthe stabilityofoverseaseconomies.Asiahas historicallybeenoneofthelargestmarketsfor U.S.exportedpeanuts,buttherecentfinancial problemshavedramaticallyreducedtheamountof peanutsexportedtothisregion.Chinaisnowthe largestproducerofpeanutsintheworld,andwhile onlyasmallquantityoftheirpeanutscanenterthe U.S.annually,insteadtheyenterthroughother countriessuchasCanada.IncountrieslikeCanada, theseChinesepeanutsarethenmadeintobutter and/orpaste,aswasmentionedearlier,andare enteringtheU.S.inexpandingquantities.China hasalsorecentlybecomeamajorworldsupplierina marketthathasbecomedrivenbycashneeds,with littleornoconsiderationforqualityormarket price.TheU.S.peanut-producingindustryhasbeen damagedasaresultoftheU.S.failingtoensure strictrulesoforiginwhentheCanadianFreeTrade andNorthAmericanFreeTradeAgreementswere negotiated.

Thefollowingpointsareafewitems whichwewouldlikeforyoutoconsider,simple pointswhenyoudeveloptradepolicies,especially astheyrelatetothepeanutindustry.Inlooking backatpasttradeagreements,theU.S.peanut grower,tomyknowledge,hasnotbenefitted. There'snownotasinglecountryimportingU.S. peanutsmerelyasaresultofNAFTAorGATT.Rather thanseeingexportsincreaseasaresultofthe tradeagreements,wehaveinsteadseenthem decline.U.S.exports--aswasmentionedearlier, U.S.usedtobethenumberoneexporterintheworld marketasfaraspeanutswereconcerned,with decreasefrom403,000metrictonsin1991toalmost halfofthat,of203,000metrictons,in1997 and'98.

Secondly,tomyknowledge,there's

beennoconsiderationgiveninthepastagreements totheU.S.governmentregulatorysystemascompared toothercountries.Anditwasmentionedearlier, andI'msurewillbementionedthroughouttestimony today,theU.S.farmersmustcomplywiththe numerousamountofregulations.Manyofthese factors,ofcourse,arenotfoundinother countries,andputourproducersatadisadvantage asfaraspricecompetition.Wemustbegiventhe opportunitytocompeteonalevelplayingfield, whichinourcasehasnotequatedtothedefinition offreetrade.

Marketaccessmustbecontrolledby strictrulesoforigin.AsImentionedearlier, Canadadoesnotgrowpeanuts;however,theyhave builtanentireinfrastructurebaseduponprocessing peanutsintopeanutproductsfortheexportmarket. AndasImentioned,Chinadumpsthesepeanutsonthe worldmarketforcashneedsandthencountriessuch asCanadapickthemupandprocessthemandbring themintotheU.S.marketatbelow-marketcost.

Inaddition,accessforacommodity shouldbegrantedtocountries,inouropinion,that aredirectlyinvolvedinproducingthecommodityas determinedbytherulesoforigin.Asyouknow,

everyimportedpeanut,peanutproduct,peanutpaste
comingintothiscountrydisplacesthedomestically
producedpeanut,displacesapeanutthatthe
shellerscanthenshellandthemanufacturercan

thenalsomanufacture.Anditremovesincomesfrom ourfarmersintheircommunitiesanddamagesour balanceofpayments.

Fourthly,thecurrentagreementsfail toadequatelyprovide,inouropinion,safeguardsin theeventofchangeinexchangeratesbetween countries,asevidentbytherecenteconomicwoesin theAsianmarket.Thisisanimportantissueand mustbeconsideredinmanyfuturetradeagreements.

Itwasalsoclearinthelastmeeting oftheWTOinGenevafortheanniversary celebration,whichTimGalvin,youmentionedyou wereat,thatphytosanitaryandsanitarystandards weretobeastrong--that,youknow,thatwouldbe astrongconcern.Weneedtocontinuetowork towardsthoseeffortsandmakesurethatthose effortsarestrengthenedinthesanitaryand phytosanitaryefforts.

Andasfarasotheritems,withthe elimination,asyouknow,oftheSection22during theNAFTAnegotiations,importprotectionsfor peanutgrowers,ofcourse,nowareveryfew.One thingthatwewouldask,asanimportsensitive product,thattheAdministrationtakealookatthe possiblesnap-backprovisionsthatwouldprotectthe peanutprogramatanytimeimportscausesignificant interferencetotheoperationofthemarket. Asyouknow,thepeanutindustryasa wholeopposed--orthegrowersopposedbothNAFTA andGATT.Andourreasonsforopposingthe agreementsaremoreevidenttoday.Wehavelostnot onlyournumberoneworldrankingasfaras exportinginthemarket,butwealsolost20percent ofourmarketshare.Andtobemorecompetitive, U.S.farmerswerealsoaskedtoreducetheirprices, andtooka10percentreductioninthelastFarm Billasfarastheirdomesticsupportprices.That pricesupportratehasremainedfrozen,asyouwell know,whichessentially,forthefarmeroutthere, equatesintoanannualdeclineandreductionof incomeduetoinflationarycosts.Asapeanut farmingindustry,wearenotbetterofftodayprior toNAFTAandGATT--aswewerepriortoNAFTAand GATT.Andthisisnotonlyevidencedbythefarm incomereductions,butisalsoevidentbythe reductioninthenumberofU.S.peanutfarmers.We

haveseen35percent,overone-thirdoftheU.S.
farmersintheUnitedStatesthatproducepeanuts,
gooutofbusiness.
InorderthattheU.S.peanut

producerscanmakeadjustmentsnecessarytomaintain theirroleinproducingtheworld'shighestquality peanuts,aswasmentionedearlierbyMr.Plowden, ourproductgoesintothemarket,intotheexport market,asanediblemarket.Mostotherpeanuts, especiallythoseproducedinChina,whichisthe largestproducer,goesintothecrushmarketorinto theoilmarket.

Webelievethatbothdomesticand importmarketshave--wehavethehighestquality inboththosemarkets.Andwestronglyrecommend thatminimumaccessimportlevelsforpeanuts enteringU.S.tradechannelsnotbeincreasedabove thelevelpermittedinthelastyearoftheUruguay Round.Andoverquota--andsecondly,over-quota tariffratesforshelledandin-shellpeanutsbe maintainedatthelevelspecifiedinthelastyear oftheagreement.

AstheU.S.movesforwardwithits farmpolicy,werealizethatwemust--thatless thantwopercentofthepopulationcarriesthefood securityriskofourcountry.Thefarmpopulation isnotgoingtoincrease.Whilethedemandsplaced uponthemcontinuetogroweveryyear,wecannot reduceourproductioncapabilityorallowtheU.S.

producertobedrivenoutofthemarket.Because theUnitedStatesundertookanacross-the-board reduction,aone-size-fits-allapproach,ifyou will,toGATTandNAFTA,theU.S.peanutfarmerlost agreatdealinbothoftheagreements.Andasa directresultofimportconcessionsbytheU.S.,we haveseenoverahalfofabilliontons--orhalf ofamilliontonsofpeanutsbeimportedintothe UnitedStatessinceGATTwasfinalized.

IfthereareU.S.commoditiesand productsthatwouldbenefitfromtradetalks,the U.S.shouldlimititsdiscussion,inouropinion,to thosecommoditiesandthoseproducts.TheU.S.must avoidpunishingacross-the-boardTariffRateQuota reductionsforthiscountryordiscussionsof allowingcountriestomeetaveragetariffrate reductioncommitmentsbydecreasingtariffson productsofnointeresttotheU.S.Weacknowledge thatthisprocess,ofcourse,wouldaddmore difficultytothetalks,butinouropinion,it's veryvitaltoourindustry.

Finally,weaskthatthe Administrationunderstandthedramaticlossthatthe U.S.peanutproducerhasexperiencedfromGATTand NAFTAtradeagreements,andweaskthatyoutake thisintoaccountwhenconsideringanynewtrade agreements.

Ithankyouforyourtime,andonce again,weappreciatetheopportunitytobehere today.AndI'llansweranyquestions.

MR.GALVIN:Thankyou,Dan.I've got,Iguess,atwo-partquestion.First,couldyou commentjustverybrieflyontheworldplayingfield forpeanuts?Howunlevelisit?Whatsortof subsidiesorprotectiondosomeoftheothermajor producingcountriesoffertheirpeanutindustry?

Andthenthesecondpartofthat questionis,ifweevergottothissortofnirvana, wheretherewasaperfectworld,aperfectlylevel playingfield,howcompetitivethendoyouthinkthe U.S.peanutindustrywouldbe?

MR.HUNTER:Inanswertoyourfirst question,letmemaybeputitintocontextina realizationofwhatthepeanutproductioninthe worldwideis.IfyoutookwhattheUnitedStates currentlyproduces,whichisaround1.5milliontons

ofpeanuts,andyouaddedeventheproductionin
SouthAmericaandessentiallyeverypartofthe
worldexceptforIndiaandChina,that'saboutthree
milliontons.TheChineseproduce11milliontons

ofpeanuts.Okay?Whentheydumpasignificant partoftheirproductonthemarket-andwhenIsay dump,literally,essentially,that'swhatthey're doingasacashneed-whenwelookatthe competitivenessthere,it'snotnecessarilyaprice distortingasfarassubsidiesareconcerned.But youhavetorealizethatweintheUnitedStates,as Isaid,produceabout1.5milliontons.They're producing11milliontons,andtheystillhandpull everypeanutplant,shakeeverypeanutplantby hand,andpickeverypeanutoffthepeanutplant itself.Sowhenyoulookatthatproductioncost, there'soneoftheitemsthatyou'llneverbeable totrulyaddress,IguessiswhatI'msayingthere. Andtheperfectnirvana,asfaras whattheworldmarketwouldlooklike,Ithinkyou havetorealizethatintheUnitedStatesweproduce aproductthatisimportanttotheconsumerout there,andwefeelit'sveryimportantthatthe consumerhaveaproductatagoodprice.Andthat's veryevidentbythefactthatanytimeyoulookat whenthere'stalkofbeingcompetitiveontheworld market,productscomingintotheUnitedStatesat lessthanworldmarketorlessthandomesticmarket price,ifyou'llnoticethatevensince1996and sinceGATTandNAFTAwerenegotiated,consumer prices,evenwiththe10percentreductionin domesticsupportrateandaninfluxofcheaper imports,consumerpriceshaveyettogodown. SoIthinkthatkindofanswersthat question.

Yes,ma'am?

MS.BOMER-LAURITSON:Iwanttomake sureIunderstandthereasonsbehindcommentsthat youandMr.Plowdenmade,andthat'sthelossof marketshareontheexportmarketforedible peanuts.Ontheediblepeanutsside,whoarethe competingcountriesandwhatarethefactorsthat haveledtousnolongerbeingthenumberone--

MR.HUNTER:Well,partofitiswhat hementionedwithregardstoanaflatoxin.Wealso haveseenanincreaseinthosecountriesoutthere wherewehavehelped,asfarasintradeagreements, toincreasetheirproduction,suchasArgentina. China,onceagain,isexportingmorepeanutsinto theworldmarketthaneverbeforeandbecomeamajor player.

Thankyouverymuch.

MR.PURCELL:Okay.Thankyou,Dan.

Nexttwospeakersrepresentthesugar

industry.Firstwe'llhearfromJackNelsonofthe RioGrandeValleySugarGrowers.

MR.NELSON:I,too,wanttothank youfortheopportunitytoparticipateinthis listeningsession.MynameisJackNelsonandI'm presidentoftheRioGrandeValleySugarGrowers. RioGrandeValleySugarGrowersisacooperative that'sownedby134farmersandproduces35to45 thousandacresofsugarcaneinHidalgo,Cameron, andWillacyCounties.RioGrandeValleySugar Growersinjectsabout40to60milliondollarsinto thatlocaleconomy.We'reveryimportantinthat areaofthestateofTexas.

U.S.agricultureisextremely vulnerableasweapproachthenexttraderound.If wenegotiatecarefully,there'senormouspotential forresponsibleAmericanproducerstocompeteand prosperinagenuinefreetradeenvironment.U.S. sugarfarmersendorsethegoalofgenuine,global freetrade.Throughournationalcoalition,the AmericanSugarAlliance,wehaveendorsedthegoal sincethestartoftheUruguayRoundin1987.We wantglobalfreetradebecauseU.S.sugarproducers areefficientbyworldstandards,andwewould welcometheopportunitytocompeteonagenuine levelplayingfield.

U.S.sugargrowersareamongthemost efficientintheworlddespitecosts--highlabor costsandenvironmentalstandards.Theworldsugar marketisthemostdistortedinagriculturaltrade. LavishexportsubsidiesbytheEuropeanCommon Marketallowittodumpexcesssugarontheworld market.AlsotheEEChelpedsubsidizeexportsof sugarfromAfrica,theCaribbean,andPacific regionsthroughrefinedsugarfromEurope.

Mexicohasbeenanimporterofsugar foranumberofyearspriortotheinceptionof NAFTA;nonetheless,NAFTAhasprovidedMexicowith morethanthreetimesitstraditionalaccesstothe U.S.marketduringthefirstsixyearsofthe agreementand35timesitstraditionalaccessduring thesevento14years,andvirtuallyunlimited accessthereafter.

Theseprovisionswerenegotiatedby U.S.andMexicangovernmentsandcontainedin PresidentClinton'sNAFTAsubmissiontoCongress whichCongressapprovedinNovemberof1993.The sugarprovision,asalteredfromtheoriginalNAFTA text,werecriticaltothenarrowCongressional passageofNAFTA.Nonetheless,Mexicoisnow underminingtheintegrityofNAFTAbyclaimingthat thesugarprovisionsaresomehowinvalid.This questioningbyMexicohasbreddeepfeelingsof distrustintradeagreementsamongU.S. sugar-producing--myU.S.sugar-producing colleagues.

TheWTOministerialwillplaya pivotalroleinestablishingthescopeand parametersandgoalsofthenextmultilateraltrade round.Duetopastexperiencewithtrade agreements,U.S.sugarfarmersurgetheU.S. agriculturenegotiatorsdotothefollowing:

First,U.S.mustnotforgeanynew tradeagreements,norreduceitsgovernmentprograms anyfurther,untilcountrieshavecompliedfully withtheUruguayRoundandothertradeagreements, astheU.S.hasdone.U.S.mustnotproduce-- reduceitssupportforagriculturalprograms, particularlyfromimportsensitivecropssuchas sugar,anyfurtheruntilothercountrieshave reducedtheirsupporttoourlevel.

Eliminationofexportsubsidiesand StateTradingEnterprisesmustbegiventoppriority inthenexttraderound.Thewidegapinlaborand environmentalstandardsbetweendevelopedand developingcountriesmustbetakenintoaccountin thenexttraderoundtoprovidebothincentivesand penaltiesthatensureglobalstandardsriseto developedcountrylevels.Aflexiblerequestoffer typenegotiationstrategymustbefollowedinthe nexttraderound.

U.S.sugarproducersbelievethatthe nexttraderoundposesaseriousthreattoefficient U.S.sugarproducers.Theonlywaytorespondto thisthreatandrespecttheintegrityoftheno-cost U.S.sugarprogramistooperatethetariffrate quotaonaneedsbasiswithadequatesecond-tier tariff--withadequatesecond-tiertariff.Nomore sugarshouldbeimportedintotheU.S.marketthan themarketsneeds.Todootherwisewoulddestroy theU.S.sugarprogramandtheU.S.industry.

Ithankyoufortheopportunityto makethesebriefcomments,andifyouhaveany questionsI'llbegladtoanswerthem.Thankyou.

MR.GALVIN:Thankyou,Jack.Bythe way,IsawPaulYancy(sp)yesterdayandhesaidbe sureandtellyouhellotoday.

MR.NELSON:Thankyou.

MR.GALVIN:Doyouhaveanycomments overthecurrentimplementationoftheTRQprogram forsugar?Doyoufeellikeit'sworkingwell,not sowell,anythinglikethat?

MR.NELSON:Theonly--theTRQ programisworkingverywell.Theonlyproblemwe haveiswiththelowpriceofworldmarketbeing withNAFTA,wherethetariffquotaissolowthat fivecentworldmarketsugarwithacompetitive tariffthatwouldbringinsugaroverthequota sugar.Itbasicallylowersthedomesticpriceof rawsugarinthiscountry.

Otherthanthat,therestoftheGATT isfine.IfthetariffwasattheGATTlevel,even attheseprices,theywouldnotbeabletobring sugarinoverthequotasugar.AndIthinkthat's theonlyway.

MS.BOMER-LAURITSON:Yeah,Ihavea question.Inthebeginningofyourcommentsyou talkedaboutglobalfreetrade.Readingbetweenthe lines,areyousuggestingthatifallother countriesweretoeliminatequotasandhavethesame marketaccessandeverybodyhavethesameplaying

rulesforsugar,thatyouwouldsupportelimination
oftheTRQ.Orareyousuggestingthatwehaveto
keeptheTRQnomatter--
MR.NELSON:Wefeellikethatif

everybodyplayedbythesamerules--inother words,ifyoucoulddosomethingonexchangerates sothatcountriessuchasBrazilgetlowered exchangeratesoffourpercentthreemonthsago,and makethemtremendouslymorecompetitiveintheworld marketthanwhatweare,somethingcouldbedoneon that.Thatifyoueliminateallthedifferent barriersthatthereistotradeandweplayedona levelplayingfield,thatwecancompetewithmost ofthecountries'work.Therearecountrieslike Australia,probablythemostefficientintheworld; wemighthaveahardtimecompetingagainstthem. Mostothercountrieswecould. There'sotheraccountingprocedures thatcountriesusewheretheirdepreciationand interestarenotcountingintheircosts.Andso-- andthevalueofthecurrencyinthoseareasmakes themmorecompetitiveeventhanweare. Theotherthingismostofthese countriesatworldhavepriceswithintheirown countrythattheyselltheirproductat,theyhave specialtradeagreementswithothercountries,and thentheytake10or15percentoftherestofthe sugaranddumpitontheworldmarket.There'sonly 10or15percentofthetotalproductioninthe worldthat'sactuallymarketedontheworldmarket atapricefarbelowthecostofproductioninmost ofthosecountries.Thosekindsofthingsarewhat I'mtalkingabout.

MR.GALVIN:Thankyou.

MR.PURCELL:Okay.Thankyou.Next wehaveCharlesThibautrepresentingtheAmerican SugarCaneLeague.

MR.THIBAUT:Goodmorning.Panels fromtheofficeoftheUSDA,theStateDepartment, theUnitedStatesTradeRepresentative,mynameis CharlesThibaut.Iserveasthechairmanofthe NationalLegislativeCommitteeoftheAmericanSugar CaneLeague,andamchairmanoftheUSDA AgriculturalTechnicalAdvisoryCommitteeon Sweetness.I'malsoagrowerandprocessorofsugar caneinLouisiana.Theleaguerepresentsmorethan 700growersandall18processorsofsugarcanein thestate.

Iappearbeforeyoutotodayto presenttestimonyonbehalfofourorganization.

AlthoughmycommentsreflectLouisiana'sviewson U.S.agriculturaltradenegotiations,ourviewsare sharedbyalloftheproducersinthiscountry.

BeforeIbegin,letmefirstexpress

my appreciation for being provided the opportunity to testify before the panel. I would like to compliment the USDA and USTR for holding this hearing.

The purpose of my presentation today is to provide some direction to our trade representatives on the next round of agricultural trade negotiations. You see, in Louisiana, we are very cognizant of the role that trade plays in the production and marketing of agricultural commodities in our state and across the nation. We also realize that as an industry, U.S. agriculture continues to be one of the few industries that consistently runs a trade surplus and has been successful in exporting agricultural commodities in the highly competitive global marketplace. In 1997, Louisiana's agricultural exports were estimated at 704 million dollars, with cotton, rice, soybeans, wheat, corn, and cottonseed ranking as the state's top export crops. Rice and cotton ranked as the third and fourth largest agronomic crops grown in our state

andnationally;werankedasthethirdlargestrice
producingstateandsixthlargestintheproduction
ofcotton.Insugarcane,wearesecondonlyto
Florida.

Theabilitytosecureexportmarket accessforthesecommoditieshasadirecteffecton theproductivityandprofitabilityofourstate's producers.However,cropssuchasrice,cotton, corn,wheat,andsoybeansrepresentonlyabout20 percentofourstate'sagriculturaleconomy.We alsohaveafivebilliondollarforestryindustry,a 1.4billiondollarlivestockandanimalproduction industry,an885milliondollaraquaculture industry,a500to600milliondollarsugarcane industry,a157milliondollarnurseryindustry,and an82milliondollarsweetpotatoindustry,justto nameafew.In1998,thetotalvalueofall agriculturalcommoditiesproducedinthestatewere estimatedat9.6billiondollars,whichillustrates theagriculturaldiversityofourstate,whichis verysimilartothediversityfoundinmanyother states.

Thesignificanceofthesenumbersare thatwhenweconsiderourstate's704million dollarsinagriculturalexports,werealizethat muchofourstate'sagriculturalproductionisnot producedforexportbutfordomesticmarkets,and thesecropsexceedthevalueofourexportcrops. Thesameistrueinmanyotherstates.Sowhilewe stronglysupportagreementsthatwouldprovide greaterexportmarketaccessforcommoditiessuchas rice,cotton,corn,wheat,andsoybeans,wemust alsoconsiderframingourtradeobjectivesto adhere--toachieveabalancebetweenmaintaining domesticmarketsandincreasingexportmarket access.Otherwise,theonlytradeweare accomplishingistradingawayonecommodity's establisheddomesticmarketforanothercommodity's accesstoanexportmarket.

Ourconcernsarenotwhetheramarket isanexportoradomesticmarket.Amarketisa market,andthelargestcosttoourcountryisthe lossofanestablishedmarketthathastaken hundredsofmillionsofdollarsandmanyyearsto develop.

TheformationoftheWorldTrade Organizationin1995establishedanagreementthat istheframeworkfor134countriesand30other prospectiveonestoestablishfairtradeparameters foritsmembers.However,aswestandpoisedto

enterthenextroundoftheWTOnegotiations,the
UnitedStatesenterswiththeloweraggregatelevel
oftariffsandtradeprotectionsofvirtuallyany
membercountry.InreviewingthelistofSection

301casesinitiated,itisapparentthatmany trade-distortingpracticesstillexistwithinthe membercountries.Thereforewemustfirsttarget thenoncomplianceofmembercountriesinagreements negotiatedinthelastroundoftradeagreements-- tradenegotiationsbeforeforgingaheadwith additionalagreements.Nonewagreementsshouldbe negotiatedwithmembercountriesthathavenot compliedwithearlieragreements.

Second,ournegotiations-- negotiatorsmustavoidthetemptationtoofferany U.S.concessiontomembercountriesinorderto negotiatetheircompliance.InLouisiana,apointed exampleofWTOmembercountrynoncomplianceisthe Mexicangovernment'sattempttorevokethetermsof thesugarside-letterintheNorthAmericanFree TradeAgreementandtheadditionoftariffsonto U.S.HighFructoseCornSweetener.Theside-letter agreementonsugar,whichcapsMexico'saccessto theU.S.market,wascrucialinsecuringU.S. CongressionalsupportforNAFTA.Nowweseeour domesticsugarmarketinjeopardyastheMexican governmentpushestoignorethetermsofthe side-letteragreementinanattempttoforcethe U.S.tograntmarketaccessforMexicansugar displacedbyHighFructoseCornSyrupfromtheU.S. Thistradeagreementcompliance problemisextremelysignificanttotheeconomic healthofourstate,sincewearethesecondlargest sugar-producingstateinthenationandsugarcane isourlargestagronomiccrop.Thesugarcane industryisalsothelargestemployerforalarge regionofourstate,providingmorethan32,000jobs in24of64parishes,one-thirdofthestate.

Imuststatethatourbiggestconcern isthatU.S.tradenegotiatorswillconcede additionalU.S.marketaccessforMexicansugaras theconcessionforMexicanHighFructoseCornSyrup tariffremoval.In15sugar-producingstateslike Louisiana,ourviewisthatanyreductioninthe termsofthesugarside-letteragreementwould amounttonegotiatingawayourmarketfor domesticallyproducedsugartosecureacornexport market.Noreductionintermsshouldbeprovidedby U.S.negotiatorssincetheHighFructoseCornSyrup tariffsviolatethetermsoftheNAFTAagreement.

AnothertradeconcernthatimpactsourstateisthetermsofChina'saccessiontotheWTO.SinceChinaistheworld'slargestmarket,U.S.exportopportunitiesaboundforsmallgrains andothercommodities.Chinaisalsothelargest producerandconsumerofcottonintheworld.In theU.S.,weexportaboutone-thirdofourcotton productionandwehopetohaveopportunitiesto exportcottontoChina.However,Chinahas increasedtheirpresenceasanexporter,andthe termsofChina'saccessiontotheWTOmustinclude adequatesafeguardsthatpreventChinesetextiles fromcannibalizingournation'scottonproduction andtextileindustry.

Negotiatorsneedtounderstandthat thisisespeciallyimportant,becauseitisour nation'scottonproducersthathavemadethe greatestinvestmenttodevelopthedomesticcotton marketinthiscountrythroughtheircheck-off contributionsforpromotionaladvertising.TheWTO termsmustaddressChina'scurrentcottonpolicy thatcurrentlyprovidesareferencepricefor Chinesecottonproductionof60to65centsper pound.Theaccessiontermsmustalsoprovidethe U.S.textileindustrywithanadequatetransition periodtoprepareforChinesecompetition,witha 10-yearphaseoutoftextileimportquotas.

Anotherstickingpointinupcoming tradenegotiations,andoneofmymaintopics,is thedilemmaconcerningtheapplicationofsanitary andphytosanitarystandardsunderthetermsofthe SPSagreementoftheWTO.Wehaveallwitnessedhow theEuropeanUnionhasusedtheSPSagreementsto createanEU-SPSstandardthatpreventstheentryof genetically-modifiedcommoditiesandhormone-fed beef.IfullwellunderstandhowtheSPSstandard canbeusedbyacountrytocreateanon-tariff tradebarrierwhichisdifficulttochallenge becauseofitstechnicalcomplexity.However,the termsoftheSPSagreementprovidethegovernments ofmembercountrieswiththesovereignrightto establishanSPSstandardinordertoprovidethe levelofhealthprotectionitdeemsappropriate,as longasthestandardimposedislimitedtothe extentnecessarytoprotecthuman,animal,orplant healthbasedonsoundscientificinformationand assessment.

Whilewehavebeensuccessfulin winningSection301cases,wewillcontinuetosee SPSstandardsimplementedbymembercountriesthat willlimitmarketaccessforU.S.exports. Furthermore,itisthesestandards--ifthese standardsareproventobepermissibleundera scientifically-basedtransparentformula,theWTO willbepowerlessunderthetechnicalbarriersto tradeagreementtoruleagainstthestandard, despiteitseffectonU.S.marketaccess. Mypointisthis:TheU.S.hassome ofthehighestenvironmentalsanitary, phytosanitary,andlaborstandardsintheworldfor ourdomesticallyproducedcommoditiesimplementedto protectthehealthofU.S.citizens.However,we arecurrently--wecurrentlydonotprovidethe samelevelofattentiontosanitaryand phytosanitarystandardsofforeignagricultural commoditiesimportedintothiscountry. Thismustbeaconsiderationaswe approachthenextroundoftradenegotiations. Thereisfartoogreatadisparitybetweenthe regulationsgoverningU.S.agriculturalproducers andthecommoditiesversustheregulationsimposed onforeignagriculturalproductsenteringtheU.S. Wemusttakeintoaccountthefoodsafetystandards thatAmericansexpect,anddevelopSPSstandardsfor importedagriculturalproductsthatestablish standardscomparabletothoseregulating domesticallyproducedagriculturalcommoditiesand products.

Anexcellentcaseinpointthat

illustratesthedisparitybetweenthestandardsfor domesticversusimportedcommoditiesistheFood QualityProtectionActimplementedbyCongressin 1996toprotectU.S.citizensfrompesticide exposureriskandbasedonsoundscience.The agriculturalchemicalsusedbyU.S.producers,such asMalathionandLorsban,canonlybeusedoncrop applicationsthatfitintoanacceptablemeasureof humanexposureforriskforU.S.citizens. However,importedagricultural commoditiesarenotsubjecttocomplywiththeFood QualityProtectionAct;thereforemanychemicals suchasDDTandChlordane,whichhavebeenillegal foruseintheUnitedStatesfor20years,arestill usedinforeigncountries.Theircommodities producedwithchemicalsillegalforuseintheU.S. enterourcountry,withlessthanonepercentof thesecommoditiesinspectedattheborder.Imported commoditiesmustonlycomplywiththeU.S.threshold residuelevels.TheFQPAdoesnotregulatethe productsandchemicalsusedonimportedcommodities whatsoever.Ifthereeverwasanunfairtrade practice,itisourgovernmentholdingU.S. producerstoamuchhigherstandardthanthatof importedcommodities.

AscientificallybasedSPSstandard basedonsomeoftheprovisionsoftheFoodQuality ProtectionActwoulddefinitelymeetscientific criteriaforvalidityandtransparencyunderthe WTO-SPSagreement.Asourtraderepresentatives prepareforagriculturalnegotiations,wemust realizethatwhetherwelikeitornot,sanitaryand phytosanitarystandardsarealreadyapartof ongoingtradeagreements.Wemustnegotiatetrade termsthatprovideequalityorU.S.producers.I urgeimplementationofanyenhancedUS-SPSstandard, orrisklosingU.S.agriculturaldomesticmarketsto unregulatedforeignimports.

Theimplementationofthecomparable SPSstandardsforforeigncommoditiesenteringthe U.S.wouldhelpequalizetradewithintheWTOfor U.S.producersofimport-sensitivecommoditiesthat competewiththeleastdevelopedmembernations. Theyareallowedtosubsidizetheirproducersunder thetermsoftheWTOagreementandareprotected fromWTOcountervailingmeasures.Thelowlevelor absenceofsanitaryandphytosanitarystandards provideatradeadvantageforthesereforeign agriculturalcommoditiesinthattheyarenot requiredtoadheretoU.S.standardsestablishedto protectthehealthofU.S.citizens. AsweenterthenextroundofWTO negotiations,ourU.S.agriculturaltrade negotiators'focusmustbetargetedonlevelingthe playingfield.SincetheUruguayRound,U.S. agriculturehasnotonlycompliedwithour obligationsbuthasexceededourobligationsfor loweringtariffs,subsidies,andgrantingU.S. marketaccesstoforeigncountries.Nowasweview ourworldagriculturaltrade,theUruguayRoundwas successfulinloweringtariffsandsubsidysupport levels,butforeigncountriescontinuetohavemuch greaterimportprotectiontotheirmarketsand highersubsidysupportmechanismsfortheir producersthanthoseprovidedtoU.S.producers. Therefore,werecommendthat negotiatorsemployaflexiblerequest-offer negotiatingstrategyintheupcomingtrade negotiationstoreducethehugedisparityin supportsbetweenU.S.andWTOmembernations.The formula-drivenmethodofnegotiatingsupport reductionsusedintheUruguayRoundwasineffective andleftproducerscompetingformarketswith foreignproducerswithmuchhighersubsidies.A perfectexampleistheEUsugarsubsidythattotally distortstheworldsugarpricebypayingEUsugar producersover30centsperpound,whilemarketing surplusEUsugarontheworldmarketatlessthan10 centsapound.

WefurtherrecommendthatourU.S. negotiatorstargetStateTradingEnterprises,the mainmethodusedbyforeigncountriestocircumvent theUruguayRoundcommitments.StateTrading EnterpriseswerenotaddressedintheUruguayRound andtheyarebeingusedsuccessfullybycountries suchasAustraliatoprovidesubsidiesandreduce interestratesforproducersoutsideoftheir governments'negotiatedtradecommitments.

Asweapproachtheupcomingroundof WTOtradenegotiations,Iwouldliketoencourage theUnitedStatesTradeRepresentativetoutilize allofourresourcestonegotiatethebestagreement foragriculture.InrecentyearsourtopUSTRtrade negotiatorshavebecomeveryvaluableandmanyhave movedtotheprivatesector.Atthesametime,many commentonthelengthoftenureofforeigntrade negotiatorsandtheirindustryadvisors.Asan offset,Iwouldliketoencouragetheofficeofthe UnitedStatesTradeRepresentativetoutilize AgriculturalPolicyAdvisoryCommitteesonTradeand theAgriculturalTechnicalAdvisoryCommitteesand otherindustryspecialistsasconsultingadvisors anddirectcounselstothenegotiatorsduringthe nextroundofWTOtradeagriculturalnegotiations. Ifeelthataccesstogreatertechnicalinformation duringthenegotiationswouldbenefitourcountry's negotiatingpositionandallowustotroubleshoot problemsbeforethenegotiationsconclude. Inconclusion,wefeelthatfor agriculture,theupcomingroundofWTOagricultural tradenegotiationsholdthegreatestpromiseto expandourmarketaccessforexportcommodities.At thesametime,wehaveanopportunityandan obligationtobalancetheseeffortswithhard-nosed negotiationstoreducethedifferencebetweenU.S. andforeignagriculturaltrade--andforeign agriculturalsupportlevels.Ourleverageisthat thestabilityofourU.S.currencyhasbeen--has madeaccesstotheU.S.marketaprize.Let'suse thisopportunitytomovetowardamorefair agriculturaltradepolicyforourU.S.producers.

Iwouldliketothankthepanelfor yourattention.Ithasbeenaprivilegetoappear beforeyoutoday.Iwouldliketosincerelythank theofficeoftheUnitedStatesDepartmentof

AgricultureandUSTRforconductingthesehearings. Thankyou.

MR.GALVIN:Thankyouverymuch. Sharon?

MS.BOMER-LAURITSON:Yeah.Ihave, Iguess,acommentortwo.Iwanttojustsaythat Icanassureyouthatwewillbeworkingvery closelywithAPAC,ATAC,andanumberofother advisors,includingstateagcommissioners, governors,legislatorsthroughoutthenegotiations. Andwewouldhopethat,youknow,privatesector farmersandrancherswillbebyoursideproviding us--

MR.THIBAUT:We'llbethere.

MS.BOMER-LAURITSON:--thatwe need. Iwouldliketoclarifyoneissue thatyouraisedwhenyou'retalkingaboutimported foodsandthelevelofstandardsinthecaseof pesticidesandwhatareallowedtobeusedinother countries,andtoclarifythatimportedfooddoes havetomeetthesamepesticidetolerancelevelsas establishedbyU.S.producers.Ithinkwerecognize thattheFoodandDrugAdministration,whichis responsibleforenforcementofthose,doesinspecta verysmallpercentageofimports,astheyinspecta verysmallpercentageofdomesticproductsaswell, butthattheAdministrationisactivelyworking rightnowwithmembersoftheSenateonsome legislationthatwasrecentlyintroducedwhichwould broadenFDA'sauthoritytoensurethattheimported foodsareproducedandprocessedunderthesame levelofstandardsandprotectionasdomestically.

MR.THIBAUT:Good.

MS.BOMER-LAURITSON:Andthisisa highpriorityfortheAdministration,andI'msure, youknow,fortheindustry.Ifyouneedmore information,youcancontactyoursenatorsormyself ortheFoodandDrugAdministration.

MR.THIBAUT:Good.I'mgladtohear that.

MR.GALVIN:Thankyouverymuch.

MR.THIBAUT:Thankyou.

MR.PURCELL:We'restartingtorun waybehindschedule,soI'dliketoonceagain requestallspeakerspleasebeawareofyour

speakingtime.Ifwecouldkeepittofiveminutes
orlesswouldbeveryhelpful.
Nextwe'regoingtohearfromDennis
DeLaughter,andhe'srepresentingtheU.S.Rice

Producers.

MR.DeLAUGHTER:Goodmorning.My nameisDennisDeLaughter.I'maricefarmer.I'm alsothepresidentofProgressiveFarmManagement andProgressiveFarmMarketing.Iserveaschairman oftheTexasRiceLegislativeGroup,alsochairman oftheU.S.RiceProducersAssociation,an associationwhichrepresentsover6,000rice farmers.Thericefarmersgroupismadeupofrice farmersfromthestatesofMissouri,Mississippi, Texas,and40percentofproducersinthestateof California.

IwasrecentlyappointedtotheATAC committeeforfeedandgrainandoilseeds,andI appreciatetheopportunitytocomeandtobeableto addressyoutoday.IwanttothanknotonlyUSDA andUSTR,buttheStateDepartmentfortheir willingnesstocomeout.AndIwouldjustsayasa sidenote,havingrecentlybeenattheATACmeeting, Irealizethattheremaybepeoplethatthinkthat thistypeofaneventisbasicallydoingnothing.

ButIwanttoassurethosethatarelisteningthat
theyarebeingheardanditishavinganimpact.
Andthatistoyourcredit.
TheU.S.RiceProducersAssociation

hashadcooperativestatuswiththeFAS.We're involvedinmanypromotionalprogramsoverseas. Recently,thevicepresidentofourgroup,Nolan Cannon,gaveatestimonytotheMemphisGroup.And becauseofthatandthefactthatI'vesubmittedmy testimonyhere,I'mnotgoingtoreadit.Iwould liketogothroughandmaybegooveraboutfive pointsthatarementionedinit,orfive recommendationsthatwehaveforpolicyofficialsas theycomeintothisnextround.

Numberone,webelievethatpolicy officialsneedtorecognizethatriceisnota homogenousproduct.Thereisasubstantial differencebetweenroughrice,milledrice,and brownrice,andtheyallthreehavespecificexport capabilities.Andsoit'simportantthatpolicy officialsneedtorealizethattherearethree differentformsandtypesofrice,andtheyneedto keepthatinthebackoftheirmindasthey negotiate.

Numbertwo,werecommendthat

policymakersassurethatcountrieswithcurrent minimumaccessforrice,likeJapan,Korea,aswell asothercountries--andothercountrieswhowill soonhaveminimumaccesscommitments,purchaseU.S.

rice.Wewouldliketoseethat.

Numberthree,wewouldliketosee thatthere'sarbitrationchangesintheEU'srice importpolicy,andinsistonequitabletreatmentfor allformsofricewhenitcomestotheEU.

Numberfour,werecommendthat policymakersstronglyopposeillegaltrade arrangementsaswellastariffregimesinregional tradeblocsthatdisadvantageU.S.riceproducers.

Andnumberfive,we'dliketoseean enforcementandastrengtheningoftheenforcement oftheWorldTradeOrganization'sprohibitions againsttheuseofnon-tarifftradebarriersfor rice,suchastheimpositionofscientifically unsoundphytosanitarytraderestrictions.Iknow you'reworkingonthatissueandIcommendyoufor that.

Withthatsaid,Ihaveacoupleof sideremarkstomake.HavingjustbeenattheATAC meetingthreeweeksago,Iknowyouknowthe numbers.Youknowsomanynumbersitprobablyspins aroundinyourheadatnight.Irecentlyreturned fromGeneva,whereImetwithseveralofyouand touredtheWTOorganization,andwastotally impressed.Ireturnedwithabetterappreciation

forwhatyoudo;Ialsoreturnedwithagreater
appreciationofwhatyou'reupagainst.I'mhoping
asyoutravelaroundandasyouhavetraveledaround
tothesedifferenthearings,thatyouarealso
gettingabetterfeelofwhatweareupagainsthere
inthecountry.

Andwiththatinview,justacouple
ofpersonalthoughts.Numberone,wegaveatthe
office.Intheearly'90s,Icanrememberhearing
thephrase,U.S.agriculturemustleadthewayin
reducingtradebarriers.Well,webelievewe've
donethatintheUruguayRound,soIcanhonestly
saywegaveattheoffice.U.S.agisnotina
positiontopayanymoreforalevelplayingfield.
It'stimethattheothersidecometotherescueof
theU.S.situation.

Numbertwo,Igrewuphearingthis
phrase:Theworldpopulationisgrowingsofast
thatsoonwewillnotbeabletofeedtheworld.
Well,Ibelievedit,andprobablythere'smanyin
theaudiencewhobelieveditandmanywhomaystill

do.Butthefactssaythatthat'snolongertrue. Thefactsaysthepopulationisreallyheadingdown; technicaladvancementisprettywellprovingthatwe areassuredthatwearegoingtoeasilyfeedthe world.InarecentbookbyPeterDrucker,hesaysinhisbook"Managingforthe21stCentury"thattheremustbeaparadigmshiftinagriculture.AndIbelievethatisthecase.ThismeansthatU.S.agmustmakethisshiftbothdomesticallyandinternationally,andinthatshiftalevelplayingfieldinworldmarketsiscriticalandtimeisoftheessence.

Andso,withthatsaid,Iencourageyoutocontinueyourefforts.Iknowwhatyou'vedone,Iknowwhatyou'redoing,andIreallydoappreciateit.Iknowyou'reworkinghardtolevelthoseplayingfields.AndnotonlydoIappreciateyourefforts,Iwishyouthebestofluckaswell.

I'llbehappytoansweranyquestionsyoumighthave.

MR.GALVIN:Thanks,Dennis.Iappreciateyourverystraightforwardandcandidtestimony.IthinkitwouldbegoodjusttomentionChinaabit,becauseIthinkChinareallyiskindofthewildcardinmanywaysinthewholeagtrading situation.Andthey'vecertainlycomeon,of course,asacompetitorinanumberofareasinthe lastcoupleofyears,andtheyseemtobegearingup on--evenmoreonriceintermsofjusttotal productionandqualityandthatsortofthing.

And,youknow,Iunderstandyour concernaboutpreviousstatementsandbeliefsthat, youknow,theworldisgoingtorunoutoffoodand thatthatperiodisjustaroundthecornerandthat sortofthing.ButIthinkifthere'sonething thatisclear,it'sthatthecurrentlevelof subsidiesanddistortionsouttthereworldwidereally areencouragingalotofexcessproductionthat otherwisewouldn'toccur.Andrightnow,that's probablyaboutastrueinChinaalmostasitisin Europe.It'sprettyclearthatChinaisengagedin apolicyofself-sufficiencyalmostatanycost,and they'vebeenspendinganawfullotmoremoneyhere latelytoreallysustainthatpolicy.AndIthink it'sledtooverproduction,but--youknow,waste, fraud,andabuseinChinaandallthat,andIthink therearesomeindicationsthattheyrealizethey've goneoverboard.

ButIthinkthatreallygetsback, though,totherealimportanceofgettingtheminto

WTOmembership.Becauseifweweretogetthesort ofagreementthatwasoutlinedforChina'saccession totheWTOthispastspring,wereallycouldgetto thepointwherethey'dhavetocommittoending theirexportsubsidiesanddisciplining,forthe firsttime,theirdomesticsubsidies.SoIthink it'sreallyamajor,majorissueforU.S. agriculturetostayfocusedon,andprobablyabout asmuchforthericeindustryasanybodyelse.

MR.DeLAUGHTER:Verytrue.We're followingthatveryclosely,becauseweknowthat China,whilethey'llimportricerightfromtheir borders,fromVietnamandThailand,they'realso wantingtoexportriceatthissamepointintime. Sowearewatchingthatinthesesessions,what's goingonthere,withgreatinterest.Andwe're hopingthatthathasagreatimpactonus.

MR.GALVIN:Thankyouverymuch.

MR.PURCELL:Okay.Thankyou.Next we'rehearfromCarlKing,theTexasCornGrowers Association.

MR.KING:Goodmorning.IamCarl King.I'mafarmer,retired-semiretardedand retiredboth-andpresidentoftheTexasCorn Growersforsome26years.IformeditandI'malso chairmanoftheboardofAmericanCornGrowers. Ithankyoufortheopportunityin beingheretodaytosaysomethingtothisgroup that'scalledalisteningsession.Wedon'thavea lotoftimeforhand-wringing,finger-pointing,more studies,analysis,orassigningofblame.Everyone knowsthecurrentfarmeconomyisinadisastrous situation.Thequestioniswhatarewegoingtodo aboutit.

TexasCornGrowersandAmericanCorn Growerstakenoprideinsaying,wetoldyouso.We carefullyanalyzedandthenactivelyopposedthe trilogyofpolicyinstrumentsthatarekilling Americanfarmers,theFreedomtoFarmBill,the NAFTA,andtheGATT,nowcalledtheWTO.

Itwilltakequiteabitofworkto unravelallofthetroublethesethreedocuments havecreated,workthatwehavetotacklebutthat willtakelongerthanwehave.Reluctantly,Ihave tosaythatweneedmoneyfromtheFederalTreasury toflowouttoruralAmerica,andImeansoon,to makeitpossibletosavethebanks,schools,and otherbusinessesthatteeteronthebrinkof disasterasaresultofthiscrisisofthefarmers.

Atthesametimewerecognizethat

societywantssomeassurancethatwhentheyhand overalargeamountofmoney,thatthereare expectations.Thefirstisthatwe'repaying attentiontootherissuesthatthepublicis concernedabout,likehealthanddietissuesandthe environment.Theirsecondconcernisthatweare headedtowardsalong-termeffectivesolutiontothe economiccrisis.NobodywantstotryaBand-Aid approach.TheAmericanCornGrowersofTexasboth sharetheseconcerns.

Onthefirstissue,farm organizationslikeoursneedtospeakupabout healthandenvironmentalconcerns.Wehavebeenand willcontinuetobeactiveleadersinthiscountry toaddresskeyenvironmentalissuessuchasthedead zoneintheGulfofMexicoandclimatechangethat Clintonispushingforrightnow.

TheAmericanCornGrowershasalso beenintheforefrontonissuesrelatedtogenetic manipulationofseedsandcorporatemonopolies.We sharewiththepublicgraveconcernsaboutwho's controllingourfoodsupply,andwe'reworkingto addresstheseincooperationwithmanyconsumersand environmentalgroups.

Ontheasecondissue,aneedfor

long-termsolution,itisclearweneedanentirely newapproach.ThecombinationoftheFarmBill, NAFTA,andGATTiskillingruralAmerica.The long-termsolutionisstraightforward.Weneed non-recourseloanssetatthecostsofproduction withprovisionsforbalancingsupplyanddemandover thelong-term.Yes,thiswillrequirea farmer-ownedreserve,butitwillcutgovernment costsdramatically.Weonlyhavetolookatthe highlysuccessfulpoliciesthatareinplacefor sugarandpeanutfarmerstoseewhatthiswouldlook like.I'mtalkingabouttheirdomesticbill,which isseparatefromalltheothercommoditygroups. However,togetthesekindof policiesmeanswehavetoradicallychangethe currenttradeagreements.NAFTAcanbeeliminated withonlysixmonthsnotice.Weshouldstartthat processtoday.TherulesoftheWorldTrade Organization,formerlyGATT,orGeneralAgreementon TariffsandTrade,willtakealotmorework.The AmericanCornGrowersareclearwhatwewantand don'twant.Wedon'twantthecurrentWTOrules. Wedowantgoodrulesoftrade,likearealbanon exportdumping,whichhasbeenmentionedalready thismorning.

Iftheglobalgraincompaniesare bannedfromdumpinggrain,theworldpricewill rise.Theriseinpricewillhelpfarmers everywhere,boththeU.S.andoverseas.Weneeda policythatpushesfarmpricesabovethecostof production.Asitnowstands,thecurrentFarm Bill,NAFTA,andWTOdrivepricestorecordlow levels,puttingallofusatrisk.

ThecurrentWTOandNAFTAagreements excludetheadjustmentoftariffsforthepurposeof counteringmanipulationofcurrencyvalue.Asa result,Mexico,Canada,andothercountrieshave takenadvantageofthisloopholeanddevaluedtheir currencytogainanunfaircompetitiveadvantage overtheU.S.TheendresultisthatU.S.farm commoditiesaremoreexpensiveinthesecountries, andtheexportsofthesecountriesbothtothe UnitedStatesorothernationshaveanunfairprice advantageoverU.S.-producedgoodsduetothese currencyvaluemanipulations.

WhileCongressandtheClinton Administrationhascutfarmcommoditypricesin othercountriesindirectresponsetotheUruguay Round,anumberofothercountrieshaveeither failedtoliveuptotheircommitmentsorhaveasked tobeexcusedfromthesecommitments.Hungary,for example,hasfailedtoliveuptopromisesmadeto beexcusedfromcommitmentsmadeduringtheprevious roundoftradenegotiation.

BothNAFTAandtheWTOagreementhave ledtomuchgreatervolumeofimportedfoodsinthe UnitedStates,whilethebudgetforfoodsafety inspectionsattheborderhavebeenfrozenorcut. Theendresultisahugeincreaseinuninspected imports,leadingtoasharpincreaseinfoodsafety incidents.Withoutpropercountryoforigin labeling,allfarmers,U.S.andoverseasalike, sufferfromalossofpublicconfidencewhilethese foodsafetyscandalsoccur.

Fallingwages,manipulationof currencyvalues,andweakenforcementoflaborand environmentallawshasledtoshiftsinthe productionofanumberoffreshfruitandvegetable cropstoMexico,withvine-ripetomatoesbeingthe hardesthit.Wewillsoonlosethisentireindustry unlesschangesaremadeinbothNAFTAandWTO rules.

Icutminedown,hopefullytosavea littletime.Becauseyouwasrunningsofarbehind, Iwasafraidyouweregoingtoleavemeplumboutof theprogram.SoIwantedtorushthroughit,then.

MR.GALVIN:Wewouldn'thaveleft
youout,Iassureyou.

MR.KING:Okay.

MR.GALVIN:Weappreciateyour effortstokeepitshort. Couldwetalkalittlebitabout NAFTAasitrelatestocorn,andwhyitisyou suggestthatwemaybewalkawayfromtheNAFTA agreementoncorn?Youknow,ifyoulookatthe figuresforcornexportstoMexico,wehitarecord backin'96,somethinglike1.3billiondollarsin totalfeedgrainexportstoMexico.Thatnumberhas comeoffabitsince,butmoreduetopricedeclines thanvolumedeclines.Andifyou'lllookatthe scheduleundertheNAFTA,we'rebasicallyguaranteed increasedaccesshereoutoverthenextsevenor eightyearswhenMexicohastocontinuetolowerits tariffsoncorn. Soitlookslikeit'sgotusona steadypathtowardbasicallywideopenaccessto Mexicowhenitcomestocorn.SoI'mjustcurious ifyoucould--

MR.KING:Well,Tim,Iagreewith whatyou'resaying,thatMexicohascomealongway

fromwhatthey--thepreviousseveralyearsago.
Buttheproblemyou'regoingtorunintothere,is
eventhoughtheyhaveaccesstoourcorn,for
example,withalowloanratelikethisthat

Congresshassetinthis'95FarmBill,whichis killingus;yougettoolowaloanrate,you'vegot lessthantwodollarsforcorn.Nobodycanlive withthat.Thentome,theguysarenotgoingtobe raisingit.

Inotherwords,they'renotgoingto beouttheretoraisethatcorn.They'regoingto putitinCRP's,justlikethey'redoingnow.CRP hasbeenaverysuccessfulprogram,anditstheonly diversionprogramwe'vegot.I'vepleadedforyears inCongressandtestifiedmany,manytimeson raisingtheloanrateatleasttothecostof productionandto--youknow,let'shavesome supplymanagement.SomeCongressmenliketocallit inventorycontrol.Idon'tcarewhattheycallit.

Weneedtoraiseitjustasmuchaswecan, otherwise,whyraiseit?

Soitmaybethefactthatitgetsso cheapthattheycan'taffordtoraiseitover there.Mexicocanhollerallttheywantto,you know,butitwouldbenicetohaveacustomer.But

wewant--weasfarmerswanttomakeaprofitfora
change.We'retiredofgoingbroke.
MR.GALVIN:Allright.No.I
understandthatandIunderstandyourconcernsabout

domesticfarmpolicyandthechangesinthe'96FarmBill.ButI'mjustnotclearastohowthatsituationwouldbefixedbyuspullingoutoftheNAFTA--

MR.KING:Well,itwouldn't.Iwouldn't.Ihearwhatyou'resaying,andthatreallydoesn'trelatetowhatwe'retalkingabouthere.We'retalkingabouttradeanddomesticfarmpolicy.And,ofcourse,wedon'thaveeitheronethat'sworthadern.That'sourproblem.

Butasfarasthetradeisconcerned,ifyoudon'thavethatpriceuptherewherewecangetabetterprice,therestoftheworldiswaitingtoraisetheirprice.They'rewaitingontheU.S.andalwayshave.Youknow,wegotdowntolessthan$2corn,andrightnowwheatisrightat$2.Andit'sjustterrible.There'snowayaguycanmake100bushels--andcan'tmakeanymoney.Andthat'saheckofayield.

MR.GALVIN:Iunderstand.Anyotherquestions?

Thanks,Carl.Appreciateit.

MR.KING:Okay.Thankyou.

MR.PURCELL:Okay.Nextup,David
Cleavinger,theTexasWheatProducersAssociation.

MR.CLEAVINGER:Goodmorning.My nameisDavidCleavinger.Iserveaschairmanof theTexasWheatBoard,whichprovidesexportmarket developmentandpromotion,researchandtradepolicy servicesforanestimated33,000wheatfarmersin thestate.IamafarmerintheTexasPanhandle,so thesenegotiationsonwhichyouareabouttoembark willnotonlyhaveadirectimpactonmeandmy operation,butalsotothefarmersandranchersof Texas.

Themost--itisimportantthatwe buildafairworldtradingsystem.Themostrecent UruguayRoundandpredecessorbilateralnegotiations endedupbysharplyreducingavailableoptionsfor offsettingunfairtradepractices,andhasledto thedisastrousfarmincomewhichwehavenow witnessedovertherecentyears.Infact,asIwas preparingtocometothesehearings,thewheat markethita22-yearlowyesterday.ThepriceI receivedatmarketwas$2.10asofyesterday.

TheimplementationoftheUruguay

Roundprovidesforfurthernegotiationsintheareas ofmarketaccess,domesticsupports,andexport subsidies.Weurgethecontinuationofnegotiations forreformintheseareassincewehaveseenan unevencompliancethathasadverselyaffectedU.S. agriculturetrade. Ifthepastisanyevidence,we believeweandournegotiatorsmustbegina negotiationfornewcommitmentswithan understandingofothernations'compliancewiththe pastcommitments.TheU.S.shouldestablishasits highestpriorityeliminationofalldirectexport subsidieswithinthreeyearsoftheconclusionof theupcominground.Ifcountrieshavenotphased outsubsidiesinthattimeperiod,andacknowledging thattheU.S.hasalreadydiscontinuedsubsidieson itswheatexports,ournegotiatorsshouldseriously considerthepossibilityofresumingourwheat exportsubsidiesprogramssotheycanbeusedas leverageagainstourcompetitors. EliminatingStateTradingExport monopoliesshouldbeanotherhighpriority.State TradingExportersfreelyadmittoprice discrimination,andsuchdiscriminatorypricing amountstoanimplicitexportsubsidy.Failureto

reformthesemonopolieswillcontinueadistinctand
seriousdistortioninworldwheatmarkets.
Producersinthosecountriesneedtohavemorethan
oneoptionforsellingtheircropsasawayof

endingthemonopolypricingofwheatboards.This wouldbefullyconsistentwiththeopenmarket economyadvocatedbytheWTO.

TheTexasWheatBoardbelievesthe U.S.hassignificantlyreformeditsdomesticsupport programsincetheconclusionoftheUruguayRound. Thepassageofthe'96FarmBillputtheU.S.levels ofsupportfarbelowtheceilingsestablishedinthe UruguayRound.U.S.negotiatorsshouldseekto eliminatetheinequitiesthatpersistbetweenthe U.S.andourcompetitors.

Wesupportthecontinuationofthe current"greenbox"conditionsondirectpayments, whichallowdirectpaymentstoproducersthatare notlinkedtoproductiondecisions.Inaddition, the"greenbox"shouldincludemarketlosspayments, cropinsurance,disasterpayments,andenvironmental programs.Alsomarketingloansshouldcontinueto beexemptfromfurthersupportreductions.

IwouldliketostressthattheTexas WheatBoardsupportsinternationalanddomestic trade,asourverylivelihoodisdependenton markets.Wealsorealizethattherewillneverbea perfecttradingsituationforeveryone.Webelieve itistheroleofouragencytoworkforthe economicwell-beingofallproducers,andforanyof themtohaveafuture,wewillrequireadequate domesticprogramstobolsterfarmincomewhen economicconditionsareatsuchextremelowlevels thatisitjustified.

Ourproducersneedtobeassuredof marketaccesstoworld'sconsumers.Theexperiences ofthepastfewyearsintheU.S.haveproventobe veryfrustratingforwheatfarmers.Weurgethose involvedinthenegotiationstobesolidintheir positionthatothercountrieswillhavetolower theirtariffsmoreinlinewiththosenowprevalent intheU.S.WealsostronglysuggestthattheU.S. useallprogramsavailabletomeettrade-restricting policiesofourcompetitorsaroundtheworld.

Inclosing,wearegratefulforthe opportunitytocommentontheprocessleadingtothe launchofthe1999WTOnegotiationsonagriculture. Weareconvincedthatthefutureoffarmingaswe nowknowitintheU.S.isdirectlyatstakebythe decisionsthatwillbemade.Wecannotcontinueto existifourfarmersandrancherscontinuetolose tradeopportunitiesinasingularmannertowhat theyhaveexperiencedinrecentagreements.Itis imperativethattheU.S.negotiatorssustaina strongapproachandovercomesomeoftheopportunity lossesthatweretradedawaybyearliertrade negotiators.Intheabsenceofanaggressiveexport program,wehaveourdoubtsalmostabouthowthe U.S.willbeabletopositionitselftoachievethis so-calledlevelplayingfield.

WerespectfullyurgetheCongressto workwiththeAdministrationtoadoptandimplement astrategicexportplanforU.S.agcommoditiesin which--thiscommitmentwasmadeinaSeptember 30th,1994letterfromformerUSDASecretaryEspy andformerOMBDirectorRivlinandtheneedsofU.S. productionforexportmarketopportunities.

Mywrittenstatementprovidesmore detailedinformationontheaspectsofourthoughts ontradenegotiations,andwethankyouforbeing abletopresentourviewstoday.

NowI'dliketogiveyouacopyof thisletterthatwaswrittenbyFormerSecretary Espy,andinthatletteritjustsays,theenactment ofGATTisvital--thiswasin1994.Theenactment ofGATTisvitaltocontinuingeconomicexpansionof U.S.expandingagricultureopportunities.Our estimatesarethatimplementationoftheGATT agreementwillleadtoacumulativeincreaseinU.S.

agricultureexports,andthisincreasewillresult
ingainingjobsandsoforth.
Thenitcallsfor,wealsowantto
reiteratetheAdministration'scommitmenttouseall
exportprograms,aswellasotherprograms,to
maximizelevelsallowedunderGATTandU.S.law.
Andourquestionis,havethesebeen
used.
MR.GALVIN:Letmesayinresponse
tothat,basically,theseprogramshavebeenfully
fundedoverthelastsixyearsandwe'vebeenquite
aggressiveinusing,forexample,ourexporter
creditguaranteeprogram,wherelastyearweputout
nearly5.9billiondollarsinexportcredit
guarantees.Alittleoverfourbilliondollarsof
thattotalwasactuallyusedbythetrade,butwe
putout5.8billion.AndIthinkthatwasvery
instrumentalinallowingourexportstocontinuein
someoftheseAsianmarketslikeKoreaandothers
thatwerereallyhitbythecrises.
Wealso,asyouknow,reallyhavean

unprecedentedwheatdonationprogramunderwayright now,morethanfivemillionmetrictonsofwheat beingdonatedthisyear.Thatbyfarexceeds anythingwe'vedoneinthepast.

Theoneareawherewe'veobviously notbeenasaggressiveisintheuseofourexport enhancementprogram.Andthat'snotbecauseof unwillingnessto,youknow,challengethe competitionoranythinglikethat,it'sbasically becauseofourassessmentthatitwouldbias additionalmarketshareinthecurrentmarket environment;and,infact,itcouldjustfurther depresspricesacrosstheboard,eventothepoint wherewheatwouldgooutjustforfeedingpurposes anddisplacealotofourcornexportsandthatsort ofthing.Andforthatreasonwejustwouldn'tbe anybetteroff.

Sowiththatoneexception,Ido thinkwe'vebeenquiteaggressiveinusingallthe exporttoolsavailabletous,includingthemarket accessprogram,thecooperativeprogram,andthose othertoolsthatwereallyhavetokeepusinthe game.

MR.CLEAVINGER:Inresponseto Sharon'squestionwhileagoabouttheopeningSPSup

andhowareyougoingtodothat,wefeellikeother
countriesaregoingto--aregoingtoopenitup.
We'renotgoingtohaveto.Andwejustneedtobe
prepared,thattherulesthatareinplacerightnow

areadequate,andthere'snoneedtomakemorerules forGMO's.Andsotherefore,wejustneedtobe preparedonthedefensiveandjustleavethingsas theyare.

MR.ACETO:Ihaveonequestion.

You'rethefirstspeakertobringintheissueof- it'sinyourstatement-ofexportcredit guarantees.Andyoujustmentioneditaswell.And Inoticethatyouhadsaidthatyouwant U.S. negotiatorstorefrainfromacceptingtherulesthat woulddiminishtheeffectivenessoftheprogram. We'vealreadyknownorwe'vealreadyheardfromsome oftheotherWTOmembersthattheywillbepushing onthisissueunderthekindofgeneralcategoryof exportcompetition.

Inyourview,whataresomeofthe elementsthatdomakeiteffective?Isitthe volumeorisitthelengthofthetenure?Because obviously,wheatisaveryimportantcommoditythat benefitsfromtheprogram.

MR.CLEAVINGER:Well,wejustfeel

likethisisanotherwaytouseexportsandget
export,andifyouhavethesecreditguarantees,it
allowscountriesthatcancomeinhereandbuymore
wheatfromus.Andwejustfeellikethat'sa

betterwaytousetheseprograms.

MR.ACETO:Thanks.

MR.PURCELL:Ournextpresenterwill beCarlWeets,representingtheTexasSoybean Association.

MR.WEETS:Thankyouforgivingme anopportunitytotalktoyoutoday.I'mCarl Weets.I'masoybeanandgrainfarmerfromCooper, Texas.OnbehalfoftheTexasSoybeanGrowers,I'd liketothankyoufortheopportunitytopresentour recommendationsonagriculturetradeprograms--on agriculturetradeprioritiesfortheupcominground oftheWTOnegotiations.

WhentheTitanicsunk,thereweren't enoughlifeboatsforallthoseonboard,andthe onesthatweren'tused--andtheonesthatwere, weren'tusedtotheirfullcapacity.Theagshipof Americaissinkingjustasfastasthe Titanicdid yearsago,andtherearen'tenoughlifeboatsfor evenafractionoftheAmericanfarmer.Andthe onesAdministrationhasattheirdisposalarenot beingusedproperly,andsomeofthelifeboatsand safetynetsarefullofholes.

Everyotherrowofsoybeansproduced bygrowersisexportedoverseas.Soybeansandsoy productsareournation'slargestagricultural exportcommodity,andexportsreachedthe9billion dollarmarkinthe'98,'99marketingyear.My economiclivelihoodandthatofallU.S.soybean growersislinkedtoexports.

Webelievethatalevelplayingfield willgreatlybenefitU.S.soybeangrowersbygiving usincreasedaccesstoforeignmarkets,eliminating unfairexportpractices,andstimulatingdemand amongcustomers.WebelievethattheUnitedStates shouldvigorouslypursuethisinitiativeinthenext WTOround.ItispasttimefortheUnitedStatesto takeofftheglovesandbeaggressiveinpursuing thelevelplayingfieldthattheAdministrationhas promisedussincethepassageoftheFreedomtoFarm Act.

TheAdministrationhasfailedto protectAmericansoybeangrowersfromunfairtrade practicesoftheEuropeanUnion.TheEuropeanUnion continuestosubsidizetheiragsectorinviolation oftheGATTagreement.TheEUcontinuestouse exportsubsidiestoundercutAmericancommodities salesinnumerouscountries.Recently,theEUhas usedunsubstantiatedclaimsofunsafefoodinorder toprohibitsalesofGMO'sinEurope.Ifthebeef debaclecanbeusedasameasuringstick,the Americanfarmercanlookforwardtofiveyearsof foot-draggingbytheEUandfiveyearsofwhiningby ouradministrationthattheEUisnotusingsound science.HopefullywecanthenenjoytheWTOruling inourfavorandonlyto--onlytohavetheEU thumbtheircollectivenosesatusandstilldenyus accesstotheirmarkets,allthewhilecontinuingto subsidizetheirfarmersandtheirexports,further loweringfarmers'marketshareoftheworld commoditymarket.

Meanwhile,theFreedomtoFarmAct willhaverunitscourseandlefttheAmerican farmerswithnosubsidiesandfightingnotjust othercountries'farmersbutthegovernment'sas well.Ouradministrationhasnotliveduptotheir endofthebargain.Theyrefusetotakeoffthe glovesandfightbackwiththetoolstheyhave available;forexample,torefusetousetheEEP. TheAdministrationstatesthattheywanttogointo WTOroundsnegotiationswithcleanhandsonexports intheexportarena.Dirtyhandsdon'tseemto bothertheEU.Theywanttoprotecttheirag sector,whileouradministrationpreferstogiveus debtserviceandkeeptheirhandscleanandmoney availableforotherareasofthebudget.

TheTexasSoybeanGrowersandthe farmerswouldpreferthattheAdministrationgiveus lesslipserviceandmoreaction.Getourhands dirtyandprotectusfromunfairtradepractices likewaspromiseduswhentheFreedomtoFarmAct waspassed.Wearelivinguptoourendofthe agreement,nowpleaseliveuptoyours.

Rulingsgoverningbiotechtrademust beincludedintheWTOroundinordertoensure science-basedregulatoryreviewsandtraderules. Theserulesalsoneedtoberecognizedforthe disparityinfeeschargedbysamecompaniesfor identicalinputs,suchastheRhina(sp)greenbean technologyfees.Farmersinforeigncountriesare notbeingchargedthesefeesfortheuseoftheir GMOtechnology,whilefarmersintheU.S.arenot onlypayingforthefeesassessedus,butalso financingthefeesforothercountries.Andthe technologyfeesarecontinuallybeingraisedevery year.

InessenceAmericanfarmeris subsidizinghiscompetitorsinforeigncountriesby fundingresearchanddevelopmentofnewtechnology. ThelevelplayingfieldthattheAdministrationso

eagerlyembracedin1995mustnotonlycoverequal
accessmarketsbutalsoequalaccesstothose
imports.
TheseWTOrulesmustsupersedethe
rulesofanyotherinternationaltradeagreement,
andtheWTOappearstobealmostaseffectiveasthe
LeagueofNationsinthe1920s.TheTexasSoybean
GrowersfeelthatiftheWTOrefusestotakeaction
onunfairtradebarriersbasedonunsoundscience,
thattheU.S.shouldtakeactiontocorrectthe
problem.
WeaknessinthecurrentWTOdispute
settlementsystemisreadilyapparent.TheUnited
Statesshouldnothavetofilecomplaintafter
complaintinordertoachievecompliancewitha
disputesettlementpanelthatruledinfavorofthe
UnitedStates.
Aswehavestatedbefore,WTOis
almostaseffectiveastheLeagueofNationsand
needsseriousworkinordertoprotecttheAmerican
farmer'smarketfromunfairtradepractices.

Providingincomeandothersupporttoagricultural producershasbeenakeyfeatureofagpolicyin manynations,includingourown.WTOrulesshould addressthissituation.EUrefusestopassany substantialreformsorsubsidiesthatarepaidto theiragsector.Currently,theEUsubsidizestheir agsectortothetuneof150billiondollars,while theU.S.lagsfarbehind.Anotherexampleof Administration'sfailuretoprovidealevelplaying field.

U.S.Agricultureneedstobe representedintheworldnegotiationsbynegotiators whoarededicatedtoprotectingAmerican agriculture.Currently,agricultureisbeingused asapawninatradingshipintheworldof commerce.Agricultureisastepchildtoanytrade advantagewemighthave--thatweshouldhave shouldnotbetradedawaybyournegotiatorsin ordertogainadvantageinotherareas.Secretary GlickmanandtheUSDAneedstobetheAmerican farmer'svoiceinWashingtonandaroundtheworldin theupcomingGATTnegotiations.

Thankyouagainforyourtimeandthe prioritiesoftheSoybeanGrowersofTexas.

MR.GALVIN:Thankyou,Carl.We

appreciateyourstatement.I'dliketogoback,if Icould,toyourconcernsaboutournotusingthe EEPprogram.Ijustwanttoassureyouthatthe factthatwe'renotusingitisnotdueatallto anydesireonourparttogointothenextround with,quote,youknow,cleanhandswhenitcomesto exportsubsidies.

AsIindicatedearlier,thereason we'vedecidednottouseEEPcurrentlyisbecauseof ourconcernthatifweuseitinthispresentworld environment,wherewe'veseenfourstraightyearsof recordworldproduction,allwe'regoingtodois drivepricesdownfurther.Andthat'sgoingtocome backtobiteusintermsofdisplacingourcorn exportsandotherthingsthatwe'retryingtomove.

AndI'dalsoliketojustkindof reiterateonceagainthatwe'vebeenvery,very aggressiveinouruseofexportcreditguarantees andincommoditydonations;infact,tothepoint wherewe'retakingalotofsteadycriticismfrom theAustralians,theCanadians,theArgentines,and othersthatwe'reusingexportcreditsunfairly, thatwe'redonatingcommoditiesunfairlytothe pointwherewe'redisplacingcommercialsales,that sortofthing.

Iwanttosaythatthatcriticism doesn'tbotherusatUSDA.I'mjusttellingyou thatwearegettingitprettyhardandheavy,tothe pointwheretheseothercountriesaresayingthat theywanttomakesurethatinthenextWTO,that therearethesefurtherdisciplinesonexportcredit guaranteesorfurtherdisciplinesontheuseof commoditydonationsforfoodaid. SoIunderstandyourpointthatwe oughttobeusingEEPmoreaggressively,although I'mnotsureifwhatyou'resayingisweoughtto useEEPforsoybeanexports.Becauseifthat'swhat you'resaying,frankly,that'sthefirsttimeI've heardthatthesoybeanindustrywouldlikeustouse EEPforsoybeans.ButIthinkthat'saninteresting point,if,indeed,that'swhatyou'resuggesting today.

MR.WEETS:It'ssomethingtobe lookedat,maybe.Onthedonations,Ithinkwhat's happeningintheworldtoday,theseforeign countriesareusingtheGMOissueandthedonation issueasamarketingplay.Becausethey'resaying, whyshouldwebuywheatfromyouorbeansfromyou orwhatever;you'regoingtogivethemtous anyway.Youknow,Idon'tlikethatattitude,butI

don'tknowwhatwe'regoingtodoaboutit.
TheGMOinEurope,Ithinkit'sthe
same.It'sjustamarketplayisallitis.
They'rejusttryingtobeatthepriceofstuff

down.Thenallofsuddenthey'llcomeuponeday, andthey'regoingtobuysomewhenitgetsfinally cheapenough,butthey'regoingfeellikethey're stealingit.That'swhat'shappening.Chinahas beendoingitforyears.Everybodyisusingthe UnitedStatesasacashcowinthiswholetrade deal,andit'sgettingprettytiring.

MR.GALVIN:Idounderstandyour concernsaboutGMO'sasitrelatestoourtradewith Europe.Iwillsay,though,thateventhoughinthe caseofcorn,wehave,forthetimebeing,lostour 200milliondollarsinannualcornsalestoEurope becauseoftheGMOissue,atleastinthecaseof soybeans,wecontinuetomovemorethantwobillion dollarsworthofsoybeanandsoybeanproductsto Europe.Eventhoughalotofthosesoybeans,of course,areround-upready,genetically-modified soybeans.

Soasofyet,ithasn'thadthatreal directimpactonsoybeanexportstoEurope.And,of course,we'llbe,youknow,continuingourefforts tomakesurethatthereisn'tsomesortofbacklash onsoybeans.

MR.WEETS:Soybeans,Iguess,have beenrealluckyinthefactthatyoucanuse soybeansforsomanydifferentthings.Andtheyare gainingmarketshareinotherpartsoftheworld.I justhatetoseetheseforeigncountriesusingall theselittlethingsasaplaytogetthemarket down.I'mgettingprettytiredofthat.

MR.GALVIN:No.Iunderstand, Carl.

MR.WEETS:Anyway,Ijust--I wantedyoutolookatthat.

Andthen,youknow,onthetechfees, thatisareal--thatisarealproblem.These companiesdon'tseemtounderstandhowmuchcostper acreitactuallyis.AndIwastold,like,itwas $4anacre.Well,that'safarce.Onoursoybeans thatwegrow,thetechnologyfeeisgettingtobe morethantherentofthefarm.Youknow,10or moredollarsanacrejustforatechnologyfeeisn't right.AndtheguysinSouthAmericaaren'thaving topayit,andthere'scertainseedcompaniesinthe UnitedStatesthatdon'tpayit.Theyjustkeep stickingittocertainones.Andthefactthat thesecompaniesarebuyingtheseedcompanies, they'retakingthetechnologyfeesallbackto themselvesandthey'renot--intheseotherforeign countries,they'rejustnotchargingthesefees.

Andthatneedstobelookedat.

MR.GALVIN:That'sinteresting.I wasn'tawarethatinArgentina,forexample,that therearefarmersthatareplantingsoybeansorBT cornwhoarenotpayingatechnologyfee.

MR.WEETS:It'sagainst--Ibelieve it'sagainstthelawdowntheretochargethefees.

MR.GALVIN:Allright.Thankyou.

MR.PURCELL:Okay.Wearenow gettingintoourlunchtime.Andareminder,those ofyouthathavesubmittedwrittentestimony,you don'tnecessarilyhavetoread,youknow,thewhole thing.Ifyoucouldjustsummarizeittohelpus getbackonourschedule.

Nextup,JackCobb,theTexasGrain SorghumBoard.

MR.COBB:Goodmorning.We appreciatetheopportunitytosharewithyousomeof ourviewsofthesorghumindustry.MynameisJack CobbandIliveinPlains,Texas.I'mafarmerand Iproducesorghumandcotton.Thisyearit'sabout equalamounts.

IrepresenttheTexasGrainSorghum ProducersBoard,andamalsoamemberofthe NationalSorghumProducersBoard.I'vebeen involvedintheseorganizationsformorethana decade.IalsoservedasGrainSorghum RepresentativetotheU.S.GrainsCouncilTrade PolicyCoordinatingCommittee.AndthroughthisI representsorghumproducersoninternationaltrade policy.

Sorghumbusinessisratherlargein Texas.Typically,itaccountsforaboutone-third toone-halfofthenationalproduction,andthe valueoftheTexassorghumusuallyexceedsahalf billiondollarsannually.It'sthenumbertworow crop,inacres,inthestateofTexas,ranging somewherebetweentwoandahalfmilliontothree millionacreseachyear.Beingabletoefficiently producegrainsorghum,well,weinTexasneed marketswherewecansellourgrain.Almost50 percentofourcropinTexasisexportedto internationalmarkets;abouthalfofthemajor customerwehaveisMexico,followedbyJapanand thenSpain.

Thereareseveralissueswe'dliketo

addressthismorning,andthisisadded--orit willbeonyournewtestimonythatwe--you'vejust beenhanded.Butit'stheGMOfreegrainsupply. Andthesecondthingistheinclusionofminimum accessagreementsandpreferentialmarketaccess arrangements.Thirdisthereductionoftariffsand theincreaseoftariffratequotas.Thefourth thingistheenforcementofAgreementonApplication ofSanitaryandPhytosanitaryMeasures.Fifthis exportsubsidies,andthensixthistheStateTrade Enterprisesorentities.

Grainsorghumstandsreadytosupply someoftheneedsthatmayhavebeenlost,orsome ofthemarketsthatmayhavebeenlostorcould potentiallybelostduetoGMO's.Thereare currentlynoJuneinsertionsorbiologicalevents thathappeningrainsorghumplantsthatarethe productofbiotechnologyresearch.Ourminimum accessagreementsandpreferentialmarket arrangements,wesupporttheinclusionofsorghumin minimumaccessarrangements,andtheseagreements canprovideopportunitiesintheimmediatefuture forincreasedexportsofU.S.andTexassorghum.

Alsointhefuture,astrade restrictionsarereducedoreliminated,well,

minimummarketaccessagreementsprovideforfuture
foreigngrainsorghummarketdevelopment.
Weseeareductionoftariffsand
increaseoftheTariffRateQuotas.Wesupport

these -- the reduction of these imposed import tariffs for grain and increase of the Tariff Rate Quotas. Increasing the Tariff Rate Quotas will also reduce the effects of tariffs that they have on restricting international trade.

We want to support the agreement on application of sanitary and phytosanitary measures. We feel, like many of the others have mentioned today, that these are just restrictions to trade in a great many instances and they're really not based on sound science and ethical trade measures.

We want to support the complete elimination of export subsidies, and these export subsidies artificially promote excess production in countries that use them. And while it increases the amount of grain on the international market, it produces an artificially low price. We think we would be much better off if we could do away with these and then let supply and demand control the price on the world market.

Finally, the U.S. and Texas sorghum

producersencouragemoretransparencywithrespect totheactivitiesoftheStateTradingEntities. Increasedtransparencywouldallowtheinternational communitytomonitortheactivitiesofthese entitiesforunfairtradepracticesinthemarkets. Weappreciateverymuchyourtimeand yourcomingtoTexas.Andweinviteyoutocome backandwelcomeyouagain.Arethereany questions?

MR.GALVIN:Thanks,Jack.Goodto seeyouagain.

MR.COBB:Goodtoseeyou.

MR.GALVIN:Youknow,wedohave thisissueofnotbeingabletogetourcorninto SpainandPortugalbecauseoftheGMOissueright now.Doyouhaveasenseforifwechangesomeof thatpreferentialtreatmentfromcorntosorghum,if theremightbesomeadditionalopportunitiesthere immediatelytomovemoresorghumintoEurope?

MR.COBB:Yes,sir,wethinkthere wouldbe.Thatwouldnotbeaproblem.Weseemto havethesuppliesonhand.

MR.GALVIN:Doesitgolargelyfor feedingpurposesorprocessorsrightnow?

MR.COBB:Primarilyforprocessors

thereinSpainiswhatoursorghumgoesto.Of course,itultimatelywindsupinfeed.We're promotingagoodbitoffoodgradesorghumaround theglobenowandinvariousothercountries,but thereareagreatnumberofthingsthatsorghum worksquitewellon.

MS.BOMER-LAURITSON:Ihaveaquick question.Anumberofthespeakerstodayhave talkedaboutStateTradingEnterprises,andyou calledforincreasedtransparency.Whatkindof information,specificinformation,doyouthink wouldbeusefulforStateTradingEnterprisesto makeavailablethatwouldhelpU.S.producers compete?

MR.COBB:Someofthebigproblems thatI'veheardaboutisthe--well,takeCanada, forinstance.Andthat'stheirtransportationthat theCanadianWheatBoardprovidesforthosethings. Ithinkifwecouldget--ifwecouldseethefull viewandthesethingsbetransparent,Ithinkit wouldbebeneficialtousandwecouldseejust wherealltheseenhancementtypethingsarecoming from.

MR.GALVIN:Onthatpoint,ifI couldmaybementiononeotherthingthatwe're lookingatrightnowthatmightprovidesomemore transparency,andthatis,asmanyofyouknow, everyThursdaytheDepartmentofAgricultureputs outthisweeklyExportSalesReport.Andthat's somethingthat'srequiredbylawthatgoesbackto 1972,'73whenwehadthosebiggrainsalestothe SovietUnionthatcaughtalotofproducersby surprise,andtheproducerscouldn'tbenefit,in manycases,fromthebigincreaseinpricesthat occurred.Sothisreportingsystemwasmandatedso thatU.S.producerswouldhaveabetterideaofwhat currentsalesareoccurringonbehalfofU.S. exporters.

AndthisisasystemthatIthinkhas workedquitewell.There'salotoftradeand producerinterestinthosereportsthatcomeout everyThursday.Plus,onadailybasis,U.S. companiesarerequiredtoreportreallylargesales thatmightoccur,likesomethingexceeding100,000 tonsofgrain,forexample.

Andonethingwearelookingatis thenotionofhavingthissortofreporting requirementappliedtoalltheothermajor exporters;frankly,whetherthey'resafetrading enterprisesornot.Youknow,theideabeingthat

iftherewasalotmoredisclosureaboutsalesand
destinationsandquantitiesinvolved,thatsortof
thing,thenwewouldallbeplayingwithequal
informationandthatwouldbebeneficialtoanybody

thatusesthemarket.

MR.COBB:Soundsgreat.Itwouldbe somethingwecancertainlysharewithourmembers.

MR.GALVIN:Andagain,unlikealot ofthingsthataresuggested,Imean,thisis somethingthatwecurrentlydo.Werequireof ourselves,itworkswell.Sowedon'tthinkit's unreasonabletoexploretheideaofhavingitapply toothermajorexportersaswell.

MR.COBB:Thankyou.

MR.GALVIN:Thankyou.

MR.PURCELL:Okay.We'regoingto makesomeadjustmentstotheschedule.We'regoing togoaheadandtakeourlunchbreaknow,andat 1:30we'llreturntothisroomandhearfromthe TexasGrainandFeedAssociation.

Now,forthemedia,therewillbea mediaavailabilitywiththepanelists,andthatwill beinRoom010,whichisrightdownthehalltoyour rightasyougooutthedoor.

Sowiththat,we'lladjourntheream

everyonebebackherereadytogoat1:30.

(LUNCHRECESS).

MR.PURCELL:Okay.Ifwecouldget
youtotakeyourseats,we'llgetstartedherein

theafternoonsession.Andagain,we'regoingto tryand--we'realreadybehindschedule.We're goingtotryandkeepfromgoinganyfurther behind.SoImightremindyouonceagain,ifyou've submittedwrittentestimony,there'snoneedtoread thewholething.Ifyoucanhitthehighlightsand raisesomequestions,thatwilldo,ifyoudon't wanttoreadyourwrittentestimony.

Solet'sgetunderwaywiththe afternoonsession.First,fromtheTexasGrainand FeedAssociation,BenBoerner.

MR.BOERNER:Thankyou.FirstI'd liketothankthemoderator.Hesaidtolighten thingsupjustabitafterlunch,becauseI understandsomepeoplecaughtsomeTexasTripleX chiliattheTexasChiliParlor.AndwhenI preparedthispresentation,Iknewthatyou-allwere goingtobelisteningtoabunchofpeoplesaying thesamethingabouteverything,sominewasa summary.Sotosummarizethesummary,IguessIsay absolutelynothingabouteverything,andyou'll understand.

Sowiththat,onbehalfoftheboard ofdirectorsandthemembersoftheTexasGrainand FeedAssociation,Iwanttothankallofyoufor allowingustoappearbeforeyoutoday. MynameisBenBoerner,Iserveas presidentoftheTexasGrainandFeedAssociation. Theassociationhasrepresentedthegrainandfeed industryofTexasforthelast101years.We currentlyhave650membersinvolvedinthestorage, transportation,andprocessingofgrainand feedstuffs. Recentlyourassociationadopteda policyinregardstotradeandtradeissues.Andin regardstogeneralagriculturalpolicy,the associationsupportspoliciesthatfosterfulland prudentutilizationofouragriculturalresources, andwealsosupportpoliciesthatinclude multinationaltradeagreementsthateliminate market-destroyingtradebarriers. Andmorenowthaneverbefore,the futuresuccessofU.S.agricultureandcertainly Texasagricultureislinkedtoourcompetitiveness intheglobaltradearena.Wehavebeenthe supporteroffreetrade,includingpastagreements suchasNAFTAandtheagreementsunderGATT.We've alsoconsistentlysupportedChina'sMFNtrade status.

Basedonthenegotiationsthathave

takenplacealreadyaswellastherecenttrade issuesthathavestifledourabilitytoexportin theworldmarket,theTexasGrainandFeed Associationmakesthefollowingstatements:Number one,thePresidentshouldhavefast-trackauthority inwhichtonegotiatetradeagreements;Chinashould begivenentryintotheWorldTradeOrganization; theacceptanceorrejectionofGenetically-Modified Organismsshouldbebasedonsoundscienceandnot publichysteriaorpoliticalwhims.Testingand separatelystoringgrainsatthecountryelevatorto assureconsumersofGMO-freecornandothergrains willhindertheabilityofU.S.producersand handlerstocompeteintheworld.

Therulesgoverningsanitaryand phytosanitarymeasuresshouldalsobebasedonsound scienceandnotusedasartificialtradebarriers, andwhenproblemsdoarise,theyneedtobe communicatedtotheindustryinatimelyfashionin ordertosaveustimeandalsoresources.

Tariffsandsubsidiesshouldbe

reducedinorderthatalltradingpartnersare tradingonalevelplayingfield;tradeagreements shouldbeenforcedvigorously;andcertainlylast butnotleast,theU.S.needstoexemptfoodand agriculturalproductsfromfutureunilateral economicsanctions.

Weagainthankyouforallowingusto presentourviews,andI'llattempttoansweranyquestionsyoumighthave.

MR.ACETO:Ihaveaquestion regardingyourfourthpointthereabout communicatingproblemsinatimelyfashiontothe industry.Isthereaspecificproblemthat'scome upinthepast--

MR.BOERNER:Well,justfromthe standpoint--we'veencounteredoverthelast--I guesssinceNAFTAwaspassed,we'llencountersome problemswhereourmembersarestuckattheborder andthey'renotawareofsomethingthathadtaken place.Theycallusfirst,andwecertainlyhadn't heardanything,andthen,youknow,we'remaking phonecallstofindoutindeedwhatwastheactual problem.

Sosomemechanism--Iknowthatwe nowhavetheability,asopposedtofourorfive yearsago,to,youknow,quicklycommunicatethose particularissues.AndIwouldcertainlysupport thegovernment'suse--orworkingwithtrade associationsinmakingsurethatworddoesgetout.

Becausesometimesittakestwoorthreetimesbefore theyactuallygetthemessage.

MR.GALVIN:Mike,justonthat point,I'llmentionthatweareworkingatthe ForeignAgriculturalServiceatUSDAinputtingupa lotofthese--alotoftheinformationonSPS barriersonourwebsite,wherepeoplecanpullit upeitherbycountryorbycommodityandthatsort ofthing,andhaveaveryaccessibleinventoryto lookat.

AndI'dcertainlyencouragepeople generally,though,tolookatourFASwebsiteand seealltheinformationwehaveupthereabout tarifflevelsorcurrentestimatedproductionof commoditiesinvariouscountriesorsummariesofthe UruguayRoundortheNAFTAorourtradeobjectives headingintothenextround.Therereallyisalot ofinformation.

OneofthethingsthatIuseona regularbasisisjustthebasictradedatathatwe putitout.Youcangoinandgetcopiesofwhatwe callourBECOreportsthatwillshowyouwhatour currentexportsandimportsaredoingbycountry,by commodity,thatsortofthing.Andit'sallvery handyandeasytoprintoffandthatsortofthing.

MR.ACETO:Actually,ifIcouldjust followuponanotherthing,too,inanswertowhat Timjustsaid,isthatallthesesessionsaregoing tobeeventuallyputuponthatsite.Soifyou wanttoseewhatpeoplearesayinginothercities onthislisteningsession,youcangetthat informationthereaswell.

MR.GALVIN:Thankyou.We appreciateit.

MR.PURCELL:Okay.Thankyou.Next upwehaveJerryDonGloverrepresentingtheTexas CornProducersBoard.

MR.GLOVER:Goodevening.Iwasone ofthosethatpartookofthatchili,soI'mgladI'm thisfarawayfromyou.

Tim,wewanttothankyouandthe USDAandtheUS--pardonme.TheUSTRpanelfor thisopportunitytoexpressourconcerns.Iwould alsoliketothankSecretaryGlickmanand CommissionerBarshefskyforallowingtheselistening sessionstobepartofthisWTOinformation gatheringpointssothatyou-allcansortofhear fromusinthegrassrootsouthere.

Imightexplainjustalittlebit. TheTexasCornProducersisa15-memberboardacross thestateofTexasthatrepresentsabout19,000corn farmersinTexas.Nextweekyou'llbeincorn country.Ithinkit'snextweekyou'llbeinIowa. Thisisalsocorncountry.Wejustwantedyouto knowthatwe'readeficitstateintheproductionof corn.AlotofourcorndoesgointoMexico,which IthinkNAFTA--thatisoneofthefewthingsI thinkNAFTAhashelpedis,istheabilityforusto getcorninandout;thedroughtthatsortofhelped thecattleindustry,becausetheyhaven'thadany cattletocomethisway.Soitwouldhavebeena trade-offasfaraswe'reconcerned.

Since1964,we'veseenthedemiseof theAmericanfarm.Acrossthenationourrankshave dwindledfromoverthreemilliondowntolessthan twomillion.Theacreagehasdeclinedsome,maybe abouttwomillion;weusedtofarmabout434million acresacrossthenationandnowwefarmabout432. Thecostofdoingbusinesshasescalated.Backin thosedayswheneverIfirststartedfarming,itcost theAmericanfarmerabout37billioninexpenses.

Nowourexpensesareabout150billion.Andthisis byUSDA'slatestcensus.

Thoughthere'sbeenadeclineinthe farmpopulation,we'veincreasedourproductivity, notonlyinfarmproductsbutinmanufacturedgoods andservices.However,thisincreasein productivityhascomeattheexpenseoftheAmerican farmer.TheAmericanfarmerhasclothedandfed thisnationwithnoguaranteeofprofit,andnow he'sborderingonbankruptcy.

ItappearsthattheUnitedStateshas madeagreementsinthepastthatprobablydidnot havetheinformationthatyou'regatheringnow.The peopleI've--wedon'tfeellikethattheGATTand NAFTAtreatiesreallyrepresentedthefeelingsof Americanagriculture,butthey'veopenedourdoors, totallyopenedourdoors.Butyetsomeofthe foreigncountriesthatwe're--supposedlywere goingtotradewithduringthosetreatieshavebeen closedandcanbeclosedatanytimetheywantto.

Wedon'tfeelthattheword"freetrade"is somethingthatwereallybelievein.Webelievein fairtrade.Andhasbeenspokentoday,therehave beeninstanceswherethedevaluationofsomeofthe differentcurrencieshasreallycausedusproblems.

Andyouwouldthinkwithagood,strongdollarthat
Americawouldbereallyprosperingintheworld's
economy.Butastrongdollardoesnothingtousbut
itcutsoffourexports,becauseittakes

more--andI'llexplaintothe--explainsmoreof our--takesmoreofourdollarstobuytheir goods.

Ourgovernmentseemstobemore worriedaboutothercountries'abilitytokeeptheir ageconomystrong,withlittleregardofourown agriculturaleconomy.And,ofcourse,you-allheard today,andIknowyouhaveinsomeoftheothers, thatweshouldbededicatedtoeliminatingallof ourexportsubsidiesinthenextWTOroundsandto restrictourowninternalsupportmeasures.Ithink ifthisisallowed,moreproducerswillbeforcedto leavethevitalindustryatafasterratethanwe've seeninthelast30years.Ruralcommunitieswill vanishunlessaprofitisplacedbackinto agriculture.

TheAmericanfarmerhasbeenusedas apawnfortoomanyyearsintheworldaffairs. And,ofcourse,Iknowmanyofushasreadan Morgan'sbookbackyearsago.Oneofhischapters wastitled"Food,theUltimateWeapon."Wefeel likewehavebeenusedasaB-1bomberfortoolong, withourgovernmentputtingsanctionsondifferent countriesandstoppingourflowofgoods.And,of course,there'sbeenmentionthatCubaandsomeof theothercountries,thatthosesanctionsshouldbe openedupifyou'regoingtocallitafreemarket. BackinthosedayswheneverCarter putanembargoonus,nothingreallyhappenedtothe majorgraintrade.Itwasallputbackonourlap. Themajorgraintradesonlyjustrevertedtheir routeofgrainanditfinallygottoRussia.The embargowasjustplacedonus,wefeellike. We'rehavingahardtimecompeting. I'mnotaprotectionist.Idon'tfeellikeI'ma protectionist,butwhenitcomestoavitalindustry likeagricultureinAmerica,IguessImaybea protectionist.BecauseIdon'tfeellikeIcan competeasaproducerwith$5adaylaborinMexico, Ican'tcompetewithEPA.There'snottheEPA standardsinsomeoftheothercountries.They don'thavethelaborunionsthathasforcedallof ourgoodsandpurchasesthatwepurchasetobeso high. So,youknow,I'mreallyworried abouthowwe'regoingtobeabletohavethis competitionfairlywiththechangesinthe currenciesandwiththemnothavingtoliveunder thesamestandardsthatwedo.AndunlessAmerican farmerscanbeassuredareturnonhisinvestment, howcanhebeexpectedtoproduceinthefuture?

Now,Icouldhavespokealotabout whatwasgoingonheretoday,whatalltheother speakersweretalkingaboutasfarasaddressingthe tariffs,exportsubsidies,themarketaccess,the internalsupports,theSTE's,theenvironmentand laborissues,andphytosanitarystandards.ButI wantyoutorealizefirstandforemostthattheag sectoroftheAmericaneconomymustbegintorealize areasonableprofit.Forwithoutareasonable profit,noviableentitycansurvive.

Andwe'rehavingahardtime surviving.Meandmysonfarmabout3,600acresup inthePanhandleofTexasandwecanlivewiththe weatherthatGodgivesus.Imean,we'velostthree sectionsofcottonsincethefirstofMay.Wecan livewiththatbecausethat'ssortofanexpected deal.Butwecan'tlivewiththecommodityprices thatwehavetoday,andwethinkbecauseofwhere thecommoditypricesare,it'sbecausewe'veopened ourdoors.Andwedon'twanttobecomeasdependent onfoodaswedoforoil.Myownpersonalbelief thatourdependenceonoil--youknow,wethink it'sonly15,17dollarsabarrel,butreally,I thinkitcostsmorelike$100abarrel.Because we'resoreliantonthosepeopletodeliveritthat we'vegotourArmedServicesoverthereprotecting it.Idon'tthinktheAmericanconsumerwantstobe thatreliantonfoodthatwehavetosendourArmed Services.Andunlessweputprofitbackinto agriculture,Ithinkthat'swherewe'reheaded. Iwon'tspendanymoreofyourtime, otherthan,Tim,whatdidyousaywhileagotosome grainsorghumguyaboutgrowinggrainsorghumin Spainorsomething?Orsendingitoverthereand youwantedtonotsendcorn?

MR.GALVIN:Onlyuntilwecanget themtoturnaround.

MR.GLOVER:Okay.Allright.All right.Iunderstand,Tim.Butthethingaboutit is,youknow,wegroweverything.Wewanttobe abletoexportourcattle,wewanttobeableto exportourgrainsorghum,ourwheat,ourrice,our sugar.Weneedaprofitinthosesowecan continue.

MR.GALVIN:Iunderstand.

MR.GLOVER:Thankyou.Any
questions?
MR.GALVIN:Maybejustifyoucould
justkindofsortofboilitdownto,doyouthink

corngrowershavebeenbetterorworseoffthelast, basicallysincetheUruguayRoundbecauseofthe tradeagreementswehaveinplace?Doyouthinkon thewholeit'sbeenpositiveornegative?

MR.GLOVER:Well,it'saccordingto whichwayyouwanttolookatit.Imean,ifyou didn'thavetheAsianflu,ifyoudidn'thaveChina becominganexporterinsteadofanimporter--I thinkChinaexportsalotoftheirgoodsattherisk oftheirownpeople.Idon'tthinktheyhaveany regardfortheirownpeople.Allthey'reneedingis somecurrency,andthat'stheonlywaytheycanget itistoexport.

Ifeellikethatpossibly--you know,cornisoneofthemajorexportingitemsalong withwheat.Probablyitwouldbe,butwiththe majorgrowthandtheproductionofcornaroundthe UnitedStates-theweatherhasbeensufficiently good-thatwejustoverproduced.Iwon'tsaythat FreedomtoFarmhasbeenourmajorproblem,itjust hasn'tansweredourproblem.

AndIknowthattherearecountries thathavetheirsubsidies-Europeandallofthose thathavetheirsubsidies-andifyoulookatour expenditureslastyearasfarasfarmprogram expenditures,wespentabout30billiondollarsthat cametous.Butwe'restillindireneedforit.

Sosee,moneycomingdownfromthe governmentisnotwhatwe'reneeding.We'reneeding tosellthatproductataprofitandletthatmoney flowbackthroughtheeconomy.

MR.GALVIN:Appreciateit.

MR.GLOVER:Thankyou,Tim.

MR.PURCELL:Thenextspeakerwill beJimHornefromtheKerrCenterforSustainable Agriculture.

MR.HORNE:Thankyou,Panel,for thisopportunitytocomebeforeyou.Iserveas presidentoftheKerrCenterforSustainable Agriculture.I'veservedalsoinacapacityona scopingtaskforceforsustainableagricultureon PresidentClinton'sCouncilforSustainable Development.I'malsoafarmerandarancherallof mylife,andtodayIwouldliketojustkindofset abacksetfortradeissuesandlookatitfroma holisticandamore--perhapsasustainablepoint

ofview,notreallyrepresentingeachdifferent
commodity,asthat'swellbeendonetoday.

SoI'llbespeakingabouttrade
policyonthestructureofagriculture,tradepolicy

thatshouldworkforfarmersandnotagainstthem, andtradepolicyanditseffectontheenvironment andnaturalresources.

Acountry'stradeandagpolicyare inter-linked.Onecannotseparatethetwo.The purposebehindmajoragpolicydecisionsintheU.S. historicallyhavebeenallotments,subsidies,supply management,andothertools.Anditisnotjustto balancesupplyanddemandandstabilizenetfarm income,butalsotoincreaseexports.Anditisfor thisreasonthetradepolicyshouldbemadeto explicitlyreflectnotjustthecostofproduction ofcommodities-fuel,fertilizers,andthosesort ofinputs-butalsothosehiddencoststhatare degradingtheenvironment,suchasoursoil,the soilerosion,andeachbushelofbeansorcornthat weshipoverseas.Thesearehiddencoststhat affecttheproductivecapacityofourfarm/ranch.

Thetradepolicymusttakeinto accountitseffectonthestructureofaginthe U.S.Ifpolicyfavorsthecontinuedexpansionof theindustrialmodelofag,thenwewillhaveless familyfarmers,lessstewardshipofnatural resources,anddecliningruralcommunities.Food securityandqualityoflifeissueswillaccelerate assignificantproblemsforourcountry.

Historically,theresultoffarm policywasconsolidation,ruralcommunitydecline, andthepriceofsubsidiesbeingbidintotheprice offarmland.Weallknowthattheeraofthe vanishingfarmbetween1950and1980,wherewesaw justinthelast20years,over300,000farmsand62 percentofallthefarmsdisappearsince1950.And whilemanybelievethatmovingpeopleoutof agriculturemakesusanefficientagricultural system,thetruthisthatthepriceofcommodities suchaswheatandbeansandothercommoditiesare stillat1960,1970levels.Producingsurpluses withonlythehopeofexportmarketsisnotrational intermsofgoodresourceallocation.

There'salsoclearevidence,asthe Departmenthasrecognized,thatthereis concentrationinfarmingandagribusiness.Today lessthan20percentofthelargestfarmsare responsiblefor80percentofthereceipts.The largestbroileroperationsaccountfor97percentof salesnationwide;lessthanfourpercentofthe largestfarmsproducetwo-thirdsofthevegetables, sweetcorn,andmelonsinthiscountry.

Andthenwemovetothemeatsector.

Wefindfourlargefirmscontrolling80percentof themeat-packingbusinessandfourlargefirms controlling24percentofthetotalbushelsproduced ofgraininthiscountry. Sowe'redowntoseeingthatabout fourpercentofthepopulationoffarmersinthe U.S.isearning57percentofallfarmreceipts. Eveniffarmersusetheverybestmanagement techniquesinproducingfood,themostsophisticated marketingtechniques,suchastheuseoffuturesand options,itisnotenough.Theycannotevencome closetonegatingtheeffectofahandfuloffirms controllingthemarket.Exportpolicyandtrade policyoftenfavorstheselargecorporateentities ratherthanthenation'sfamilyfarms. Tradepolicyalsoaffectsthe structureandtypeofagricultureinthecountries weareexportingto.Inthosecountriesthatare developing,itisnotrighttoencourage monoculture,factorystylesofproduction,andthe displacementofindigenouspeople--theindigenous populationfromruraltourbanareas.It's somethingthattheUnitedStatesmaynotbethanked forinlateryears.

Thenextpointisthatofpolicy

workingforAmericanfarmersandnotagainstthem. Theaimoftradepolicyshouldbetobenefitthe Americanfarmfamiliesandnottoreflecttheprofit maximizationgoalsofahandfulofcorporate entitiesthatcontrolvirtuallyalltheagricultural productionintheUnitedStatesofthemajor commodities. Tradepoliciesshouldreflectthe highestofAmericanvaluesandstandards. Agriculturalexports,whilehelpful,arenotthe solutiontoagriculture'sproblemsofpersistentlow returnsandfoodsecurityissues,suchasputting toomuchpowerinthehandsofmany vertically-integratedcompanies.Whenfarms disappear,sodothefamiliesthatfarmthem.The lossoffarmersandtheresultantstructuresput communitiesinturmoil,andatriskisthelossof manymorefamilyfarmersinthenextyear.The corporatestructureofconfinedanimaloperations andothercontractualagreementsaretakingaway fromfarmerstherighttoproducefoodintheirown way.Agandtradepolicyoftensendsthewrong signaltofarmersabouthowmuchandwhatto produce.And,ofcourse,embargoesdestroythebest ofplanning.

Inasimilarways,agribusinessesare assuminggreatercontrolofproductionagriculture. Agribusinessesaredevelopinggenetically-modified seedthatthefarmernotonlyhastopurchasebut alsohastoagreetosellbacktothesamecompany. Corporateownedoperationslikethesearegrowingat staggeringrates,releasingvarietiesatstaggering rates,andfewarelookingatthedownsideofsuch technologies.Thecurrentmonopolistictendencies intheU.S.agindustryareundoingfamilyfarms, schools,competition,anddestroyingourrural communities.

Tradeandagpolicymustbelinkedto ensurethattheyarenotworkingtotheother's disadvantageandthattheyarenotcountertoother U.S.initiatives;forexamplethatreducepesticide usage.Inthisrespect,wemustphaseoutimports offoodsfromcountriesthathavepoliciesthatare countertoourpolicies.Allowingothercountries toexporttouswithunfairlaborpracticesputsthe Americanfarmeratadisadvantagecompetitively,and furthermore,itencouragestheexploitationof workersinothercountries.

TheU.S.shouldnotallowthe importationofanyfoodproductsthataregrownwith chemicalsbannedintheU.S.,aswecontinueto producethosechemicalsandexportthemtoother countries.Thispracticeendangersthehealthof Americans,particularlywhenenforcementstandards arelow,andparticularlythosewhoaretheleast abletospeakforthemselves,suchasinfants,the elderly,theill,andthepoor.

Labelingastocountryoforigin geneticallymodifiedfood,irradiation,certified organic,orotherlabelsshouldbeobtainedfor productscomingintothiscountry.

Whatistheeffectoftradepolicyon theenvironmentandnaturalresources?Trade policiesshouldaimtodevelopanationalaccounting systemthattakesintoaccountthecostof degradationofnaturalandhumanresourcesaswell asthedirectcostofproduction.Unfortunately, policyoftendoesnotaccountforthetrueortotal costofagproduction.Whatgetscountedarethose resourcesthatareexpendedandtheothersare ignored,partlybecauseit'shardtoassignvalues tothelossofsoilproductivityandothermeasures ofdegradation.Socialcostsassociatedwith agricultureandthelossofruralcommunitiesalso representstruecostsofourindustrializedsystem ofproduction.

ThereareseveralconclusionsthatI wouldliketomakeandsuggestionsthatIwould offer.Firstofall,tradepoliciesshouldnotbe structuredtousefoodasaweapononthepoorin ordertoachievemilitaryorgovernmentalchallenges inothercountries.Tradepoliciesshouldbe focusedonensuringthatjusttheneedsandnotjust thewantsofAmericansaremetinsuchwaysthatwe ensurethesustainabilityofourfoodsystemandthe naturalresourcesuponwhichoursystemdependswith fairness,consideration,compassionforallthe peoplethatworktheland.

Tradeandagpoliciesshouldtake intoaccounttotalcostaccountingofthenatural resourcesexpendedperunitofexport.Policies shouldbe--shouldinsteadbeexaminedtoensure thatthebeneficiariesofsuchpoliciesare distributedequallytotheAmericantaxpayer,and moreimportantlymaybefortherankandfileworkers farmingourland.

Iwouldliketoclosewiththe
definitionofsustainabledevelopmentthatwasgiven
byNorwegianPrimeMinisterRoflan(sp)thatwe--
thattheworkwiththePresident'sCouncilfor

SustainableDevelopmentisused.Insustainable development,whetherwe'retalking--isrelevantto allactivitieswhetherit'stradeorwhatever,and it'sdefinedasdevelopmentwhichmeetstheneedsof thefuturewithoutjeopardizingthechoicesthatwe haveinthefuture.Andwedon'twanttolimitour futurebysimplydestroyingtherichagricultural basethatwehavewiththenaturalresourceswehave inthiscountry.

AndsoIthankyouforthe opportunitytocome,andwouldbehappytorespond toanyquestionsyoumighthave.

MR.GALVIN:Thanks,Jim.I appreciateit.Ithinkthismorningyouprobably heardsomegeneralconsensusaroundafewbroad pointslikegettingridofexportsubsidiesinthe nextroundandfurtherdecreasesintariffs, increasesinquotas,maybemoredisciplineson domesticagriculturalsubsidiesworldwide.Tothe extentthatthosewouldbecomeourobjectivesand we'dmakesomeprogressthere,doyouthinkthenet

impactontheenvironmentwouldbebeneficialor
harmfulorwhat?

MR.HORNE:Well,Ithinkitprobably
wouldbebeneficial.BecauseIhavethebeliefthat

mostAmericanfarmerswanttobegoodstewardsof theirland.But,youknow,whenyou'repentup againstthewalltryingtomakealiving--andif youlookatfarmbankruptcies,it'sapretty startlingpicture.Ithinkiffarmersmadeadecent profit,theywouldplowthatmoneybackinto conservationactivities.AndifourUSDApolicies actuallyfavored,youcouldsaygreenpaymentsor somesortofanecologicalrepayment,Ithinkthat farmerswouldrespondverypositivelytothatand ourlandwouldbeprotectedforever.

Butifwecontinuewithpersistent lowreturns,thefarmerhastochoosebetweenhis family,hischildren'seducationandcontrolling soilerosion,it'sadifficultchoice.Andit's goingto--Ithinkthecheapfoodpolicydrives that,andit'sanunfairburdenthatwe'veputon ourfarmers.

MR.GALVIN:AndIaskedthe question-maybeitreflectsabitofabiasonmy part-butIrememberthefirsttimeIwentto

Europeandsawthefieldsthere,andthebeautiful
fields,beautifulfarms.Butyoucouldseethose,
youknow,linesthroughthosefieldsofwheatand
barleyandallthat.AndIcouldn'tfigureoutwhat

thoselineswereatfirstuntilsomebodytoldme, well,that'sbecauseoftheregularchemical applicationstheyputontheircropsinthecourse ofthegrowingseason.

AndIdon'tmeantobepickingonthe EU,butIthinkwhenyoulookattheirstructureof agriculture,andtherearesomethingstheypointto withprideintermsoftheirnumberoffarmersand, youknow,thesizeoffarmersandthestrengthof theirruralcommunitiesandallthat,butIthinkto someextentitdoescomeatacost.BecauseIthink it'sgenerallyrecognizedthattheirapplication rateoffertilizers,herbicides,andotherchemicals isgenerallytwiceashighorevenmoreascompared totheU.S.

So,youknow,Ithinkthereare clearlysomeproblemsthatareasadirectresultof thelevelofdomesticsupportthattheyoffer,as wellastheheavyexportsubsidiesthatthey ultimatelyrelyontocleartheirsurplusontoworld markets.

MR.HORNE:AllIcanconcludeby sayingisthatwehavetohaveprofitsintheshort runtosurvive,butwemustbeverycarefulwhenwe tradeandlookattheeffects,holistically,onthe wholesystemofcommunities,farmers,andthe Americanpublic,aswellasworkersinotherlands andhowtheyaretreated.

Thankyouverymuch.

MR.GALVIN:Appreciateit.Thank you.

MR.PURCELL:Nowwe'llhearfrom WardStutzoftheAmericanQuarterHorse Association.

MR.STUTZ:Goodafternoon.Myname isWardStutz.I'mthedirectorofmembership servicesandpublicpolicyfortheAmericanQuarter HorseAssociation.Weappreciatetheopportunityto providetestimonyaboutthehorseindustryandour concernsregardingtheinternationaltradeof horses.

Briefly,I'dliketotouchonthe economicimpactofthehorseindustryandsome demographicfiguresfortheAmericanquarter horse--Americanquarterhorsesininternational countries.Thehorseindustryisa--intheU.S.

directlyproducesgoodsandservicesof25.3billion dollarsandhasatotalimpactof112.1billion dollarsontheU.S.GrossDomesticProduct.There aremorethan66,000Americanquarterhorsesin internationalcountries,andthatdoesnotinclude Canada.

In199--lastyear,international Americanquarterhorsenewfoalregistrations totaledslightlyover4,500,andtransfersof ownershiptotalednearly7,000.Thisisan all-breedstatistic:LastyeartheUnitedStates exportedover22,000horsesvaluedat200,000--I'm sorry.200milliondollars.

Theinternationalmarketforhorses isverystrong.Internationalequineeventsare becomingmorepopularintheUnitedStates.With theintroductionofreigningasanapprovedevent fortheUnitedStatesequestrianteamandhopefully aninternationalevent,welooktothese competitionstoincreaseintheUnitedStates.This isaresultofWTO'sphilosophies.Hopefullywe willsoonseeacowboyhatintheOlympicgames.

Thehorseindustrystronglysupports thescientific-baseddecision-makingconceptthat underscoresWTO'srequirements.Anymovementaway fromthisconceptwillhaveadetrimentalimpacton U.S.animalagriculture,particularlythehorse industry.Specificissuesinvolvingthe internationalmovementofhorsesandhorseproducts, includingquarantines,importsandexports, regulations,etc.,arebeingaddressedverycapably bytheU.S.horseindustryandtheUSDA.

Regardingexportregulationsof equinegeneticsandlivehorses,wehaveacoupleof concerns.First,horseexportsarebeinghindered becauseinternationalcountriesareplacinga quarantineontheentirestateasaresultofa diseaseoutbreakthatisveryregionalized;for example,vesicularstomatitis,wherehorsesin northernTexaswerenotabletobeexportedbecause ofpositivetestsforvesicularstomatitisin southernTexas.Thehorseindustrybelievesthe conceptofregionalizationshouldcontinuetobe pursuedassetoutintheUruguayRound,andwe entirelysupportUSDA'sapproach.

Secondistheissueofcooledand frozenshippedsemen.Thistechnologyoffersahuge opportunityforbothU.S.andforeignbreeders; however,eachcountryhastheirownregulationsfor cooledandfrozensemen.Coolsemenmustbe inseminatedwithin72hours,andinmostcasesit's logisticallyimpossible,undercurrentregulations, togetamareinseminatedinthattime.Frozen-- manyinternationalcountriesalsorequirethatthe semenbecollectedandprocessedatapprovedexport stations;again,makingthisprocesslogistically difficult.Thehorseindustryrecommendsthatwe worktodecreaseregulationsoncooledsemen transportation.

Finally,wehopeinternational opportunitiesforthehorseindustrycancontinueto grow,andwelookforwardtoworkingwithyouto enhancetradeopportunities.Thankyouforallowing ustheopportunitytotestifytoday.

MR.GALVIN:Thanks,Ward. Appreciateit.Ithinkthisisthefirsttimein ourhearingswe'veheardfromtheQuarterHorse Association,soIguesswemustbeinTexas.

MR.STUTZ:Weareheadquarteredin Amarillo.

MR.GALVIN:Withregardtotradeand semen,isthereanyeffortthatyouknowof internationallytotrytodevelopaninternational standard?Oristheresomethingspecificthatwe candotoencouragethat,likeundertheCodexor something?

MR.STUTZ:Ithinkanytimeweget togetherandcommunicatetotrytostandardizethose procedureswouldbeveryhelpfultoourindustry.

AmyMannoftheAmericanHorseCouncil,sheworks really--sheworksstronginthateffort.Butany timewecanimprovethatprocess,we'dcertainlybe willingtoworktowardsthatstandardization.

MS.BOMER-LAURITSON:Ijusthavea quickquestion,andTimmightevenknowtheanswer tothis.Butwhenyou'retalkingaboutwhenthey're quarantinedonaregionalversusastatebasis,what isthepracticenowofAFAS?Dotheyrecognizea regionalareaoraretheyquarantiningonastate basis,doyouknow?

MR.STUTZ:Well,asfarasIknow, forexample,inAlbuquerque,whenthosehorseswere positivelytestedforvesicularstomatitis,theydid setuparegionalquarantine.

MR.GALVIN:Okay.Andasyoupoint out,IthinktherecertainlyissupportintheU.S. fortakingthat--forsupportingregionalization. Butwhatitalwaysboilsdowntoistheneedtodoa riskassessment,andthattakesmoney.Andevery agencyisconstrainedintermsofhowmuchmoneyit

canspendonriskassessments,andthere'sdifferent
prioritiesintermsofpotentialpayoffsinthe
marketplaceandthatsortofthing.Butyou've
reallygottohavethatriskassessmentdonesothat

youcanshow,youknow,wheretodrawthatline betweennorthandsouthTexas,forexample,sothat youcandemonstratetowhoeveryou'reexportingto thatyou'vegotaprocessinplaceforcontrolling theproblem.Andthat'salwaystheriddle,getting thatriskassessmentdoneandthengettingit recognizedbythecountrythatyou'reexportingto.

MR.STUTZ:Thankyouverymuch.

MR.PURCELL:Nextwe'llhearfrom MarvinShurley,theAmericanMeatGoatAssociation.

MR.SHURLEY:I'mMarvinShurley,I'm presidentoftheAmericanMeatGoatAssociation,and IwouldliketothankthisUSDA-USTRpanelfor allowingusachancetospeaktoday.

We'reverymuchafledglingindustry hereinAmericanagriculture,andIfeeloneofthe bestthingspossiblythattheUSDAcoulddotoboost foreignanddomesticsalesofourAmericanproduced meatswouldbetoimplementamandatorycountryof originlabelingonmeatintheU.S.,andtoalso implementacertificationprogramidentifyingmeat producedhereintheU.S.asanAmericanproduced commodity.

U.S.Productsofeverytypeare recognizedthroughouttheworldassomeofthe finestavailableonthemarket.Whilemanufacturers havetheluxuryofbeingabletostamptheir products"MadeintheU.S.A."or"MadeinAmerica" ontheassemblyline,cattle,sheep,andgoat producersdon'thavethisadvantage.Wesendour productoutthegateasanunfinishedproductandit goestoaprocessoratthattime.Thisiswhya USDAprogramcertifyingmeatsasbeingofAmerican originissoimportanttousproducers.

TheUnitedStatesDepartmentof AgriculturepersonnelandnottheAmericanproducers themselvesaretheoneswhoarethereonthelines withtheirstamps,andstampedcarcasses,Ifeel, alongwithpackagelabelingwouldhelpusidentify ourdomesticproductashaving--beingAmericanin origin.

TheUnitedStatesDepartmentof Agricultureinspectionisrecognizedworldwideas oneofthemoststringentprotocolsinplaceto ensuresafefoodsuppliesfortheconsumer.These inspectionstandards,alongwithaprogram identifyingU.S.producedbeefassuch,hasledto increasedbeefsalesinatestmarketingatHEBFood StoresinMexicoCity,Mexicolocations,eventhough priceperunit/poundishigherthantheirdomestic product. This happened in a country that over 30 percent of their average annual income is required to purchase their food for the year. In actuality, it's about 34 percent of income in Mexico is required to purchase just their food supply for the year.

The fact that this can take place in a country that such a high percentage of their income is required to purchase their food demonstrates to me how readily foreign consumers will purchase a product of the United States of America when they know it is such.

This practice of identifying our U.S. meat products I truly believe will benefit all segments of agriculture involved in domestic production of slaughter stock, regardless of species, whether it's beef, lamb, pork, goat, or poultry, and, as such, has great potential for increasing worldwide demand for our domestic product. This, in turn, I feel will lead to an increase in export demands and would ultimately benefitproducersacrosstheentirespectrumofthe U.S.agriculturalindustry,whetherthey're producingfeedgrainsorIthinkallaspectsofit.

MR.GALVIN:Thankyou.Thiscountry

oforiginlabelingissueistheissuethat CommissionerCombsraisedwithusthismorningover breakfast,andIcantellyouIwasveryimpressed tohearabouthereffortsinthestatetotryto encouragesomesortof,youknow,positivevoluntary labelingintermsof,youknow,productoftheState ofTexasandallthat.AndIthinkit'svery encouragingtoseeeffortslikethat,becauseI thinkitdoesallowU.S.producers,inapositive way,tocallattentiontothequalityandother positiveaspectsofwhattheyproduce.

MS.COMBS:Iwouldjustliketoadd thatIhaveraisedthiscountryoforiginlabelinga lot.Iaminfavor,butIdonotcontrolCongress. AsIsaidatbreakfast,theonlythingIcandois suggestthatwelabelourstuffhere.Wethinkwhat wedoinTexasisprettyfantastic,andifIcan stickastickeroneveryfruit,everyvegetable, everypieceofmeatwehavehere,Ithinkpeoplein Texas,byshowingwhatwehave,90percentofthem willbuyTexas.IfIcan'tgettheguysin

Washingtontodoit,maybewecandoitwithyour
help.
MR.SHURLEY:Wewouldappreciate
that.OurindustryislargelyaTexas-based

industry,butwedorepresentproducersthroughout theUnitedStates.Andwefeelitwouldservethe Americanconsumertohavetheseproductsidentified ashavingbeenproducedhereintheUnitedStates. Rightnow,alotofconsumersareunawarewhenthey buyaUSDA-inspectedmeatthatitwasn'tproduced hereintheU.S.Theimportedbeefcarcassesand everythingelsethatcomesinstamped USDA-inspected,theysayUSDA-inspectedproductin thegrocerycaseandtheybelieveit'saproductof theUnitedStatesofAmerica.

MS.COMBS:Thathappenedwiththe lambguysinparticular.Imean,we'vegot carcassescominginfromNewZealandorAustralia andit'sruledwithaUSDAChoiceGradesticker.

MR.SHURLEY:Yes.AndlikeIsay, we'reafledglingindustry.We'rereallyinour infancy;aboutsixyearsindevelopmentisallwe are.Rightnowwearen'tproducingforanexport market;mostofourproductisconsumed domestically.Andwearestartingtofeelalittle bitontheimports,importsinthelastfouryears haverisenabout83percent,primarilyfromthe countriesofAustraliaandNewZealand.

Andwewouldalsoliketoenjointhe

paneltopossiblyconsiderintroducingaquota systemorsomethingonimportedmeatsatthe upcomingnegotiations.We'reoneofthefew agriculturalcommoditiesthathasabsolutelyno tariffforquotaforTexasinanywayintheU.S. TradePolicy.

MS.BOMER-LAURITSON:Ihavea questionandacomment.Andforgivemyignorance. Butwhatistheenduseformeatgoat?Doyoueat itlikebeeforlamb?

MR.SHURLEY:Itisdevelopedinto a--whereUSDAhasjustcomeoutwiththeirIMPS, theirInstitutionalMeatPurchasingSpecification program,whichwillactually--finallydefineswhat specificsizesofgoatsareandwillactually determinethecutsofthem.Upuntilthistime,a goatwasagoatwhetheritwasthisbigorthisbig, andtherewasreallynosetUSDAstandardsor anythingtohavecase-readyproductsforthe consumertopurchaseinthegrocerystore.

LikeIsay,it'sanindustrythat's

initsdevelopment.AndthatIMPSprogramcomesout witha60-daycommentperiod,Ibelievethefirstof Augustiswhatit'sgoingtobe.

MS.BOMER-LAURITSON:Youcalledfor

somekindofacertificationprogramforU.S.origin meat.AndIthinkthattheAgriculturalMarketing Servicedoeshavesuchaprogramonavoluntary--I believeonavoluntarybasis.Butthatmightbe somethingtopursue.I'mnotsureexactlywhether it'sapplicabletoallmeatorisrestricted,but thatmightbesomethingtopursue.

MR.SHURLEY:Yes.Thankyou.

MR.GALVIN:Justtoclarifyone point,ifIcan.Andnotthatyoustatedotherwise, butintermsofimportedmeat,Ithinkitshouldbe madeclearthatallimportedmeat,whenit's importedcurrently,islabeledthatit'simported whenitarrivesinU.S.ports.Buttheissuebefore CongressIthinkrightnow,andbeforeUSDA,is whetherornotthatlabelinginsomeformshould staywiththeproductallthewaytotheend consumer.Andifthatimportedproductispackaged forretailsale,thenitdoeshavetomaintainthat identityasanimportedproduct.

Buttherealdebaterightnowover

thelabelingofimportedproductreallyhastodo withimported,youknow,bulkorsimilartypemeat thatcomesinthatisperhapsprocessedor,you know,somehowfurtherhandledbeforeit'ssoldat retail.Andthat'sreallywherethedebateis centeredrightnow.

MR.SHURLEY:Yes.Unfortunately- orIshouldsayfortunately-goatmeatwon'tfall intooneofthosecategories.Becausethere'sno wayit'seversoldatthistimeasablendedproduct likesomeofyourbeefproductsare,whereyouhave productsfromtwoorthreedifferentcountriesthat areblendedtogetherinbatchestoproducea consistentproduct.Andit'sreally--itwouldbe realeasytoidentifyitthroughtheendpointof saleastocountryoforiginifthemandatory labelingwasenacted.

MR.GALVIN:Okay.Thankyouvery much.

MR.SHURLEY:Thankyou-all.

MR.PURCELL:NextupisRossWilson representingtheTexasCattleFeedersAssociation.

MR.WILSON:Panelists,thankyoufor thisopportunitytotalkaboutthe'99WTO negotiationanditssignificancetocattlemen.I'm

RossWilson,vicepresidentoftheTexasCattle FeedersAssociation,atradeorganization representingcattlefeedersinTexas,Oklahoma,and NewMexico.Ourmembersproducedandmarketedsome sevenmillionheadoffedcattlelastyear,orabout 30percent--infact,inexcessof30percentof thenation'sfedcattlesupply.

Cattlemenappreciatethe initiatives--well,youhavemywrittentestimony, soI'mgoingtoabbreviateandcuttothechaseand savesometime.

Cattlemenappreciatetheinitiatives thathavebeenundertakentogainaccessto internationalmarketsandtoresolvelingering issuesthatrestricttheabilityoftheU.S.beef industrytoofferitsproducttointernational consumers.

Amongthestrengthsofthecurrent WTOsystemisthewell-definedprocessfor initiatingadisputecaseandfordeterminingthe finalrulingorsettlement.Aprimaryweakness, however,ofthecurrentsystemistheabsenceof enforcementmechanismstoassurecomplianceoncea rulingishandeddown.Theintegrityandvalidity oftheWTOasadisputesettlementbodyrequires thatWTOmemberspromptlycomplywith recommendationsandrulingsofthedispute settlementprocess.TheTCFArecommendsthe-- excuseme.TheTCFAcommendstheAdministrationand

Congressfortheiraggressiveactionsinthisregard andurgescontinuedcoordinatedpressuretoassure thattheEUlivesuptoitsresponsibilities.Itis timetoeithershortentheWTOdisputesettlement processorprovideamechanismthatallowsthe winningpartytobecompensatedduringthetimeit takesthelosingpartytoimplementthecompliance actions.

Underthecurrentsystem, compensationorretaliationonlystartswhenthe entireprocessiscompleted,buttheinjuredparty isnotreimbursedforlossesincurredduringor priortothecase.Thereisnoincentiveforearly settlementbyalosingpartybecausethecurrent systemeffectivelyrewardsstallanddelaytactics.

Asfarasspecificsareconcerned,we recommendthefollowingpointsduringthe'99 negotiations:First,wemustmaintaincurrent languagerequiringstrictuseofscience-based tradingrulesestablishedintheUruguayRoundin theSanitaryandPhytosanitaryAgreement.Thisis criticaltothecontinuedexpansionofU.S.beef markets--U.S.beefexports.Asyouknow,the EuropeanUnion,asrecentlyaslastweekinCodex meetingsinRome,suggestedthatsocialand politicalconsiderationsbeaddedtotheSPS framework.Wethinkthatthatwouldleadtonothing morethanacontinualadinfinitum,adnauseam,in fact,non-tarifftradebarriersthatwewouldnever beabletoresolve.

Second,wemustprotect scientificallyapprovedtechnologiessuchasGMO's thatenhanceproductionefficiencyorfoodsafetyby establishingtransparentscience-basedrules.

Third,wemustnegotiateelimination ofStateTradingEntitiesandincreaseaccessto wholesaleandretailtradefromimportingcountries.

Andfourth,wemustnegotiatethe continuedreductionoftariffsandtheexpansionof TariffRateQuotas;existingdutiesinkeyexport marketssuchasJapanandKoreamustbereduced significantly.Weappreciatethereductionsthat havetakenplacetothispointintime;wewould hopethatthosewouldcontinueaggressively.We mustestablishatargetdateforreducingallthese tariffstozero.

Weneedenforceableglobaltrading
rulesinplaceandinusethatgrantmarketaccess,
settledisputesbasedonscience,andreduce
tariffs.TheU.S.mustholditstradingpartnersto

commitmentsagreedtoinprevioustradeagreements orrisklosingpublicsupportforadditionaltrade negotiationauthority.

Onarelatednote,Imightaddthat westronglysupportfast-trackauthorityforthe President,andtheU.S.is--inessence,hastheir handstiedbehindtheirbackinsomeofthese negotiationsthataretakingplacecurrently.And thatwillobviouslyimpacttheWTOnegotiations.

ThatcompletesmyremarksandI'llbe happytoansweranyquestions.

MR.GALVIN:Thanks,Ross.It'sbeen goodtoseeyouagain.

Acoupleofthings.Firstofall,I agreewithmanyofthethingsyousaidaboutthe deficienciesinthecurrentdisputeresolution mechanismandIthinktherearesomeareaswhere thatcanbeimproved.Ishouldjustpointout, though,thatmaybeasbadasthecurrentsystemis, thefactisthatbeforetheWTOwassetup,we reallydidn'thaveanydisputemechanismatall.So atleastIthinkwehavemadesomeprogressinjust finallyhavingaplacewherewecan,inasense,you know,takeourcasetocourtandtrytogetthings resolved.ButIcertainlyagreethatoftentimes thesetaketoolongandweoughttolookatwhatwe candotoimprovetheprocedure.

MR.WILSON:Tim,Ihopeyouwillsee inmywrittencommentsthatwearecomplimentaryof theimprovementsintheprocess.WesupportedGATT, wesupportedNAFTA;wesawimprovementsinbeef tradeasaresultofthosetwonegotiatingprocesses thatwereputinplace.Wejustsaythatit'stime tomoveforwardandmakeadditionalimprovementsin thatprocess.Ithinkyoushowedinyourownslides thattheU.S.marketisobviouslymuchmoreopen thananyoftheforeignmarkets.That'sthepointI wantedtomake.

MR.GALVIN:Iappreciatethat.Just onespecificcommentonthehormonecase,becauseI thinkthatreallyisnowcomingdownthewire.As mostpeopleknow,theWTOisscheduledtoruleby thisMonday,the12th,andthat'sthedeadlinefor whetherornotwecangoaheadwiththeproposed200 milliondollarsworthofretaliationthatwestated lastmonth.And,youknow,thatreallyiskindof thefinalstophere.Andoncethatdecisionis made,theintentionistopressaheadwithina matterofdaystoactuallyputinplacethat retaliationagainsttheEuropeans.Becauseinour view,youknow,timehasrunout,everybody's patienceiscompletelywornout,anditistimeto reallyimposeretaliation.Sothat'sreallywhere we'reatnowonthat.

MR.WILSON:Well,andweanticipate apositivedecisionbytheWTOarbitratorandwe appreciatethat.Andweappreciatealltheeffort thathasbeenexpendedbytheAdministrationand Congresstogettothatpoint.Allwewouldsayis ittooktoolong.

MR.GALVIN:Right.Iunderstand. Onefinalquestion,ifIcan.Asyoumayknow, withinthelastseveralweekstheEuropeanUnionhas madeclearthatoneoftheirkeyobjectivesforthe nextroundisanimalwelfare.Theywanttosee animalwelfarestandardsputintheWTO.Doyou haveanyearlythoughtsonthat?

MR.WILSON:Wewouldbeopposedto those.WethinkthatAmericanproducersaredoing anoutstandingjoboftakingcareoftheir livestock,andwillcontinuetodothat.Andas sciencedevelopsnewproductiontechniques,thatwe willcontinuetoadoptthose,notonlyfroma productionefficiencypointofview,butalsoan animalcomfort,welfare,whateveryouwanttocall itpointofview.ButtoallowtheEuropeansto dictatewhatthoseneedtobewouldbeaserious mistakeonthepartoftheUnitedStates.

MS.BOMER-LAURITSON:I'djustlike toaddtwocomments,andoneisonthedispute settlement.Ithinkwe'reallfrustrated, particularlyonthepartoftheEU.ButIwould liketopointoutthatthetimeframesestablished intheUruguayRoundforwhenafinalappealis decidedandimplementationwaslargelyatthe requestoftheUnitedStatesbecauseofourconcern aboutourabilitytoenactmeasuresthroughtheU.S. Congressinanykindoftimelyfashion.Soaswe talkaboutthat,wehavetobeawareofsomeofthe restraintsthatwefaceshouldweeverhavetomake changes.

TheothercommentIwouldliketo makeisonthefast-trackauthority.And,youknow, goingintothenegotiatingroundandprevious negotiatinggrounds,thePresidenthasneverhad fast-trackauthority.Sowedon'tseethatastying ourhands,atleastintheinitialphases. Obviously,itwillbecomecriticaltohavethatas wegetintothenegotiationsalittlebitfurther, becauseothercountriesmaybereluctanttostart cuttingdealswithusiftheythinkthey'regoingto alsohavetonegotiatewith535membersof Congress.ButIwouldsaygoingintoandleadingup toSeattleandprobablyeventhefirstyearof negotiations,wethinkwecandoacredible negotiatingjob.

MR.WILSON:Wejustthinkit's anotherimportanttoolthatyouneedtohave.

MR.GALVIN:Andnottopickonthe EUagain,but,youknow,theyaretheonlyonesthat havedrugtheirfeetonthesedifferentdispute resolutioncases.Everybodyelse,fromtheU.S., whenwe'velostacase,toJapan,youknow,others, they'veallplayedbytherulesandthey'venotdrug itout.Soifthere'sbeenoneoffender,Ithink it'sreallyprettyclear.

MR.WILSON:Ourfearwouldbeis thatothercountriesmightlearnfromtheir actions.Sowejustneedtotrytoaddresssomeof thoseweaknesses.Thankyou.

MR.PURCELL:Okay.Nextwe'llhear

fromMikeJernigan,theTexasSheepandGoatRaisers Association.

MR.JERNIGAN:Ialsowanttothank thepanelforallowingustocomebeforeyoutoday andputinsomeoftheissuesthatfacethesheep industry.MynameisMikeJernigan.I'marancher; Idepend100percenttotallyonmyincomefromsheep andgoats.IranchinPecosCounty,Texas,whichis farWestTexasright,oh,averagessomewherearound eightto12inchesofrainfallayear.Sowehave tohavealotofcountrytomanageandtocontrol. Andittakesalotofwork.

I,nextweek,willgoinasthe presidentoftheTexasSheepandGoatRaisers.Our organizationhasbeenaroundforalargenumberof yearsbeginningintheearly1900s.Werepresent over2,000sheepandgoatraisersacrossTexas. Basically,oursheepandgoatraisingareasbegin withtheHillCountrythroughEdwardsPlateauall thewayouttosomewhatwestofFortStockton.So wecoveralargeandvariedareaofTexasandwe havelotsofproducers,andmostofthoseproducers havebeenindiretimesinthelastfewyears.

Mostofyouprobablyknowthatthe U.S.sheepindustryrecentlyfiledaSection201

tradecasepetitionundertherulesoftheGATT
tradeagreementsagainstlambimportsfromAustralia
andNewZealand.This201petitionwasvery
time-consumingandexpensive.U.S.sheepproducers

paidtotally100percenttheexpenseofthis trade--thetradecase,andwefeltlikeitwas longandexpensive.Andherewe areandwestill don'tknowwhetherwe'regoingtogetanythingout ofit.TheInternationalTradeCommissionvalidated ourdomesticindustry'scaseandunanimouslyagreed thatfourfullyearsoftraderestrictionsshouldbe recommendedtothePresidentforimplementation. ThegoalofourU.S.sheepindustry wastostabilizeandstrengthenourU.S.lambmarket andtorestoretheconfidenceandoptimismneeded forfurtherinvestmentinthebusinesstooccur. CurrentlevelsoflambimportshavethrowntheU.S. pricesbelowproductioncosts.Inthepastfour years,importedlambhasincreased71percent,with 95percentofthoseimportedlambscomingfrom AustraliaandNewZealand.Newlyreleased informationthatwas--onresearchthatwasdoneby theU.S.HouseAgriculturalCommitteeshowthat importedgoatmeathasincreasedover83percent duringthesameperiod.Thisgoatmeatwasvalued atsomewhereover--alittleover10andahalf milliondollars.Sincethemeatgoatindustryisa relativelynewandgrowingindustryinTexas,as Marvintoldyouwhileago,theseimportlevelsare stiflingtoitsgrowth.

ReportsfromAustraliaandNew Zealandareprojectinggrowthoflambandgoat importstoasmuchasdoubletheselevelsinthe nextfewyears.Inthe201petition,ourlamb industryproveddamageandthethreatofincreased importlevelswouldcompoundourlosses.President Clintonhasmadenoattemptto--orhasputoff makingadecisiononwhethertoimplementsometype oftarifforquotaorsomeotherprogramsforus.I believethatpressurefromthekeygovernment officialsfromAustraliaandNewZealandhavecaused himtobackupanddelayadecisionfurther.

IntheeventthatthePresidentwill backtheU.S.lambindustrywithatariffora quota,threatsfromAustraliaandNewZealandhave saidthatthesetraderestrictionswilldrastically affectyourmeetingwiththeWTOinNovember.And althoughIdon'tbelievethesearenidlethreats, it'sverydishearteningtousasproducersforthe Presidentandourtradepoliciestobemore

responsible--responsivetopressurefromforeign
governmentsthantheyaretoourowncitizensand
producers.
OpponentstotheU.S.lambindustry's

pleadforhelpontheseimportshassaidthatU.S. producersmusttightentheirbeltsandbecomemore competitiveandproduceaproductmoredesirableto consumerneedsandwants,andIagreewiththese statements100percent.

In1996,U.S.producersreceived theirlastincentivechecks,incentivepayments,and inmanyindustries,this--inmanyinstances,this industrysupportaccountedfor30to40percentof theproducers'income.Atthispoint,producerswho arestillinbusinesshavealreadycuttheir operationstothebone.

Howcanwebecomemorecompetitive? Thisistheareawhereweneedthehelp.Withour lossofthewoolincentivesupport,wealsolost mostofthefundingforournationalorganization. Thesefundsthatwerelostwereusedforproduct promotion,research,andmarketdevelopment.This nationalorganizationgaveusthestrengthtofight offmostmajorimportthrustspriorto1995through promotionofAmericanlamb.Lossofthesepromotion dollarsweakenedourindustryandopenedusupto marketlossestoimportedlamb.TheAustraliansand NewZealanderswereastuteenoughbusinessmento recognizethisweaknessandmovein.

Iftheimportswerecominginundera fairtradepolicyratherthanopendoorfreetrade, wecouldcompeteandIbelievewecouldwin. Importsfloodourmarkets,with80percentofthese importsbeingsoldat20to40percentbelowthe priceofAmericanlamb.There'sseveralreasonsfor theirlambtobecheaper,butthemainreasonisthe currencyexchangerateoftheU.S.dollaragainst theAustralianandNewZealandcurrencies.

Weinthesheepindustryhavefought thecurrencydifferenceswithwoolformanyyears, andperhapsthatwasoneofthereasonswhywehad theincentiveprogram.Butitwasfundedthrough moneythatwastariffonwoolcomingintotheUnited States.Onlyinthelastcoupleofyearshasthis beguntoaffectourlambindustryinthesameway. ThestrongU.S.dollarversustheweakerAustralian dollarmakestheimportlambmoreattractivebecause itgivesU.S.retailersmorebuyingpower.

Iwanttoraisetheissuethat currencydifferencesshouldbeaddressedwhenthe

WTOnegotiationstakeplace.Thiswouldplace
Americanandforeignimportsonmoreequallevels
andpromoteafairtradeagreement.
TheU.S.hasthenaturalresourcesto

generatethewealthweneedforacontinuedhealthy economy,butwemustprotectourproduction capabilitiesandourproducers.Ibelieveour greatestnaturalresourceisagriculture.Ifwe continuetoallowagricultureandsegmentsof agriculturetolosemoney,weasanationwillbein deeptrouble.Ifweeverlosetheabilitytofeed andclotheourselves,wewilltrulybeatthemercy oftherestoftheworld.

Thankyou.Anyquestions?

MR.GALVIN:Thankyou,Mike.Abit ofgoodnews,and,ofcourse,itwasalittlelate incoming.ButthePresidentdidannounceyesterday hisdecisiononquotasandimportdutiesforlamb, andwe'vegotcopiesofthatdecisionhereifyou'd likeacopy,aswellasanybodyelse.

MR.JERNIGAN:Good.Sure,I'dlove acopy.Iguessthat'soneoftheproblemswith livingsofarout.

MR.GALVIN:Twoextraonesthere, too,foranybodyelse.

Anyquestions?Thankyouverymuch.

MR.JERNIGAN:Thankyou.

MR.PURCELL:NextupisLarry Gibson,theDairyFarmersofAmerica.

MR. GIBSON: Good afternoon. I'm Larry Gibson, dairy producer from Texas. We milk about 400 cows. I'm also a corporate director for the Dairy Farmers of America, which is, at the present time, the largest dairy co-op in America, about 20,000 members. DFA also is a member of the National Milk Producers Federation and the U.S. Dairy Export Council, and in the area of trade policy, we work especially closely with those two. I'm pleased to appear today before you to discuss the upcoming multilateral negotiations in the WTO.

Let me start by underlining the importance of the U.S. dairy industry in U.S. agriculture and the economy as a whole. Dairy is the second largest agricultural commodity sector in the United States; it generates farm incomes in excess of 20 billion dollars a year and retail expenditures of about 70 billion dollars a year.

Despite its domestic size, our dairy industry is a relative newcomer to international trade, yet our export share has been growing in recent years. One oftheprimaryreasonsforU.S.dairy'sslowand difficultemergenceinternationallyhasbeenthe factthatdairyisoneoftheworld'smostprotected andsubsidizedindustries.

Forexample,theEuropeanUnion, Canada,andJapan-someofthemostimportantdairy markets-are,undertheirWTOcommitmentstoimpose tariffs--areabletoimposetariffsatratesof 100,300,500percent,comparedtolessthan100 percenthereintheU.S.Thisisjustasmall sampleofthehugedisparitybetweentheU.S.and itsmajortradingpartners. Noonedisagreeswiththe achievementsoftheUruguayRoundAgreementon Agriculture.Nevertheless,theUruguayRound ultimatelyamountstojustastartingpointofa longprocessforagriculturaltradeliberalization, especiallyindairy.Asstatedbefore,theUruguay Roundleftmanymajortradebarriersinplace, effectivelyerectedcertainnewbarriers,and resultedinaveryskewedtradingenvironment. Ican'tstressenoughtothe AdministrationthatU.S.dairyproducers'supportof nextroundofWTOmultilateralnegotiationsis conditional,isconditionalonwhetherthese disparitiesareaddressed.We'reawarethatthe U.S.dairyindustryhasmuchtogainfromsuccessful negotiations,butitcouldloseitsfuturegrowth capacityifanincompleteorpoorlybalanced agreementresults.

Theeliminationofexportsubsidies iscategoricallythefirstandutmostpriorityfor dairyfarmersinAmerica.Westronglybelievethat itshouldalsobetheU.S.priorityfortheupcoming WTOnegotiations.Withnosignificantprogressin reducingand/oreliminatingexportsubsidies,U.S. dairyfarmerswouldnotbeabletosupport negotiationsonmarketaccess,domesticsupport,or anyothersector.

Ifthenextrounddoesn'tcomeaway withexportsubsidies--doesawaywithexport subsidies,thenandonlythenwouldU.S.dairy producerssupportworkingwithnegotiatorsin creatingrealaccessthroughmeaningfulreductionof ordinarytariffsandharmonizationofinandout quotatariffs.Wewouldalsoseektheabsolute eliminationofallremainingnon-tariffmeasures.

I'dlikebrieflytogooversomeof theimportantissuesandrecommendationswewishyou topayattentiontoduringtheupcoming negotiations.Numberone,allremaininguseof dairyexportsubsidiesmustbeeliminatedbya certaindate,withinnomorethanfiveyears.Less ispreferable.

Europeanexportsubsidiesare indisputablytheprimaryfactorthatkeepsworld dairypricesdepressedbelowdomesticpricesand preventtheexpansionofsustainable,commercial U.S.dairyexports.

Wewouldalsocautionthe Administrationaboutcircumventionofexportsubsidy commitments.Agriculture,andinparticularmy industry,cannotaffordthetimenortheresources tobringothercountriesintocompliance.Wemust strengthenthecurrentrulestopreventother countriesfromcircumventingtheircommitments followingtheeliminationofexportsubsidiesinthe nextround.

Numbertwo,tariffinequitiesmustbe addressedpriortomakinganyfurthermultilateral tariffreductionsorothermarketaccess liberalization.WhentheUruguayRoundwas deadlocked,we,thedairyindustry,madeseveral concessionssothatanagreementcouldbereached. Wefeelthatwe'veopenedourmarketsmorethanany otherOECDmemberhas.Forinstance,exceptfor over-quotatariffsondairyproducts,tarifflevels intheUnitedStatesaregenerallylow.Itis unacceptablethatordinarytariffsaverageover30 percentinmanycountries,whileintheU.S.they areinsignificant.Withrespecttoover-quota tariffs,Canada,theEuropeanUnion,Japan,and othersmaintaintariffsthatrangefrom100to500 percentforsuchbasicdairyproductsasbutter, milkpowder,andcheesein.Over-quotatariffson thesesamedairyproductsrangefrom50to100 percentintheU.S.

Giventhissituation,dairyfarmers believethatover-quotatariffsondairyproducts subjecttoTRQ'smustbeharmonizedinthenextWTO negotiationsthroughimmediatereductiontosome maximumboundlevelpriortomakinganyfurther reductions.Ordinarydairytariffsshouldsimilarly bereducedandboundimmediatelyatsomelowerlevel thatwouldprovidetheU.S.withreciprocalmarket accessinothercountries.

Onceagain,U.S.dairyfarmerscannot acceptfurtherrevisionstomarketaccesslackinga commitmenttoeliminateexportsubsidies;neither candairyfarmerssupportchangestocurrenttariffs thatwouldallownewaccesstoU.S.marketswhile reducingonlytheunnecessarilyexcessiveportionof extremetariffselsewhere,thusprovidingnonew U.S.exportaccess.

Pointnumberthree,seekgreater disciplinesondomesticsupportswhileensuringthat EUsupportsdonotsignificantlyexceedthatinthe UnitedStates.Overlygenerousdomesticsupport programshavecreatedcontinueddairysurplusesin theEUandCanada,whichthendrivethecontinued heavyuseofexportsubsidiesand/orcircumvention offormalsubsidycommitments.

WesupporttheU.S.government positiontotightentherulesondomesticsupportto ensurethatsuchprogramsdonotencourageexcess productionthatdistortstrade;however,westrongly believethatdisarmamentcannotbeunilateralandwe cannotaffordtoleavedairyfarmersatthemercyof Europeangovernmentoutlays.

Numberfour,improvethe transparenciesofbothexportandimportState TradingEnterprisesandimposedisciplinesonthe trade-distortingeffectsofSTE's,likewe've mentionedseveraltimestoday.WeU.S.dairy farmersareveryconcernedwiththeabilityof single-desksellers,governmentorprivate,topricediscriminate,keeptheirtransactionsnontransparent,transferthefinalrisk--orthefinancialrisktofarmersand/ortogovernment.

Similarly,theimportsingle-deskbuyers,including STE's,canprovidedefactobarrierstoimports throughsuchdevicesasrestrictivelicensing requirementsandmarkups. Dairyfarmersfavornegotiationon newcommitmentsthatwouldrequireincreased transparencyinoperationsofbothimportandexport STE's,aswellasdisciplinesontheactivitiesof STE'sthattrulydistorttrade. Numberfive,theWTO-SPSagreement shouldnotberenegotiated.Westronglysupport maintainingintactthecurrentWTOagreementonthe ApplicationofSanitaryandPhytosanitaryMeasures. Theagreementcurrentlyrequiresallsuchmeasures tobebasedsolelyonsoundscience. Numbersix,scopeandtimingofthe negotiations.TheU.S.dairyindustrystrongly encouragestheterminationofthenewroundof negotiationsinnomorethanthreeyears.Finishing negotiationsby2002wouldallowcountriestomake necessaryinternalchangestoaccommodatethenew agreement.Westronglysupportrenewalassoonas possibleofthefast-tracknegotiatingauthorityto achieveatimelyoutcomethatfurtherreduces distortionstointernationaldairyandagricultural trade.

Finally, let me reiterate that U.S. dairy farmers are prepared to do their part to accomplish further trade liberalization in world dairy trade; however, we dairy farmers are adamant about what our priorities should be. First and foremost, eliminate export subsidies. Second, successful agreement on export subsidies. We would engage in negotiations on market access that first levels the playing field between the U.S. and the EU, Canada, Japan, and others.

The next round will not be an easy task. In fact, it will require from the U.S. government energetic and forceful leadership to bring a consensus while defending U.S. interests.

Thanks very much for the opportunity to testify.

MR. GALVIN: Larry, thank you. Any questions?

MS. BOMER-LAURITSON: Yeah, I have a question. You identified in your list elimination ofnon-tariffmeasures.AndIwaswonderingifyou haveanyspecificexamplesofwhatsomeofthose mightbe.Iwasn'tsurewhetheryouincludedthe STEissueunderthatcategoryorifthereare additionaltechnicaltypesofbarriersthatare facingdairyexports.

MR.GIBSON:Ifitwouldbepossible, Iwouldliketohavethatlistcompiledandsentto youattachedtothis.

MS.BOMER-LAURITSON:Iwouldwelcome that.Iwouldwelcomethat.

MR.GIBSON:Iknow--IknowI reallyshouldtakethetimetorunthatbyNational MilkandDIPjusttoseeiftheyhaveanythingthey wanttoaddintothere.Butifthatwouldbe agreeable?

MS.BOMER-LAURITSON:Thatwillbe fine.Thankyou.

MR.GIBSON:Okay.

MR.GALVIN:Ithinkyou'reright thatwehavemadesomeprogress,butthere'san awfullotofworkyetthatremainstobedone.I willsay,though,frommystandpoint,Ithinkoneof themostconcreteexamplesI'veseeninthelast coupleofyearsofwherethesetradeagreementshave workedasintendedisinthefactthatwe'vehadthe CheeseImportersAssociationcometouspleading thatwetaketheunusedcheeseimportquotafromthe EuropeanUnionandreallocateitforothercountries sothatmorecheesecancomeinhere.AndIthink thatthefactthattheEU'scheesequotawithusis goingunusedisarealreflectiononthefactthat thedisciplinesnowinplace,theexportsubsidy disciplinesontheEuropeans,arereallystartingto bitesotheydon'thavetheroomundertheirWTO disciplinetoexportasmuchcheeseforus.Soasa consequence,theimporterscouldnotgettheirhands onasmuchcheeseastheyusedtobeableto. Andbytheway,wehavenottaken thatunusedquotaandreallocatedittoother countries.Sobasicallywe'veseenadecreasein cheeseimportsasaresult,andthatis,Ithink, youknow,howtheagreement--

MR.GIBSON:That'sapositivething.

MR.GALVIN:--wasintendedto work.Andwe'vealsoseen--becauseofthatsame development,we'veseencasesnowwhereincreased investmenthasoccurredintheU.S.toproducemore EuropeanstylecheeseshereintheU.S.fromU.S. milk.Andagain,Ithinkthat'sallbeenvery positive.

MR.GIBSON:Iagree.Thanks.

MR.GALVIN:Thankyou.

MR.PURCELL:Okay.Nextupwillbe

AmyRainesrepresentingtheAmericanOstrich Association.

MS.RAINES:I'mDr.AmyRaineswith theAmericanOstrichAssociation.I'malsoa veterinarianinOklahoma.Thepurposeofmy presentationtodayissimplytoeducatethe communityabouttheU.S.ostrichindustryandits relianceonforeigntrade.

TheostrichindustryinAmericabegan inthelate1980s,andtheAmericanOstrich Associationwasfoundedin1988byostrichproducers inTexasandOklahoma.Theassociationcurrently representsproducers,processors,andsupporting industriesacrosstheUnitedStatesandnineforeign countries.Whilethereareotherostrich organizationsintheworld,includingthe InternationalOstrichAssociationandtheSouth AfricanOstrichAssociation,theworldlookstothe AmericanOstrichAssociationforinformationand guidance.

Ostrichesinthiscountryhavebeen

processedunderUSDAvoluntaryinspectionsince 1995.Eachbirdproducesanaverageof65to70 poundsofbonelessredmeatanda12to14square foothide.Estimatednumbers,includingUSDA inspectionandstate-inspectedbirdsandthosenot processedforresale,in1995wereabout15,000 birds;in'96,30,000;in'97,100,000;andin1998, 160,000.Weareayoungandgrowingindustry.

In1998therewasanestimated450to 500thousandbirdsintheUnitedStatesownedby 3,500to4,000producersacrossthecountry.Most ofourostrichproducersaresmallfamilyfarmswith anaverageofabout10hens.Whileproducernumbers havedeclinedinthelastyear,theoverall productionpotentialhasnotdeclined.Wearethe mostefficientcountryinraisingostrich,including SouthAfrica.

Alsoin1998,anestimated85percent ofallofourU.S.-producedostrichproducts(meat andleather)wereexportedtocountriesinEurope, SouthandCentralAmerica,andthePacificRim. RecentlytherehasbeencorrespondencewithPacific RimcountriesspecificallyrequestingAmerican ostrichmeat.Breedingstockintheformofadult birds,chicks,andhatchingeggsalsocontinuetobe exportedasthesecountriestryanddeveloptheir market.

IssuesthathaveaffectedtheU.S. ostrichindustryinthepastincludeimportationof largevolumesofforeignhides,primarilyfromSouth Africa,causingadeclineinpricesofourdomestic hides.I'veseenseveralostrichbootshereinthe roomatlunchtime,andIventuretoguessthatnone ofthosebootsweremadewithdomestichides.In 1996,Americanostrichproducersweregetting between300and400dollarsfortheirgreenhides, andinMayof1999weweregetting80dollarsfor thatsamegreenhide.Ourfeedcostshave maintainedtobeabout125to150dollarsperbird. Traditionally,U.S.hideshavebeenconsidered inferiortoSouthAfricanhides,yettodaySouth Africantannersarecurrentlysolicitinggreenhides fromAmericanproducers.

TheAmericanostrichindustryis uniquelypositionedintheworldmarket,inthat U.S.farmsarefreefromsomeofthediseases affectingostrichproductioninothercountriessuch asNewCastle'sDisease,salmonella,andCaribbean andCongofever.TheU.S.ostrichindustryoffersa redmeatthatisfreefromtheuseofhormones, antibiotics,andothergrowthpromotersinits production.Withtoday'sgrowingconcern,whether validornot,aboutchemicalmanipulationsof livestockasafoodsource,Americanostrich

producersofferaclean,healthy,chemical-freered
meat.
Asayoungandgrowingindustry,
foreignmarketaccessisimportanttous.Speaking
asanostrichproducer,aveterinarian,andamother
ofafutureostrichproducer,Iencouragethis
committeetoconsiderAmericanostrichproductsin
theirnegotiations.Thankyou.Arethereany
questions?
MR.ACETO:I'mjustcuriousasto
whatyourmajorexportmarketsare,whatkindof
traderegimesyou'refacingthere.Isthis
somethingthat'sgenerallysubjecttotariffsor
quota,lowtariffs,hightariffs?
MS.RAINES:Theexport--U.S.
exporterspayafeetotheFishandWildlife
Department,becauseourbirdsareconsideredan
exoticspecies.Andwe'retryingtomakethose
changes.MostofourmeatgoestoEuropeandthe
PacificRim;alotofourhideshavegonetoMexico
andthePacificRimandItaly.We'vebeenaffected

bytheMexicanregulationsconcerningtheir
influenzacontrolmeasures,wheretheyhavestopped
theimportationofhides,whichhave--there'sno
waythatanostrichhidethat'sbeenchemically

treatedcantransmitinfluenza,andyet,because we'reconsideredpoultry,wewereaffectedbythat regulation.

Somecountriesareunabletoimport ostrichproductsfromtheU.S.becausetheir policymakersconsiderustobeanexoticspecies, andyetallostrichintheUnitedStatesare domesticallyraisedonfarms.Andsoweneedsome assistancetoeducatetheforeigngovernmentsthat we'refarm-raised.

MR.GALVIN:I'msorry,Dr.Raines. Yousaidthatyouhavetopayafeeto--

MS.RAINES:Yes.Wehavetopay-- becausewehavetorecordthebirdsandeggsand meat,anythingthat'sostrichrelatedproducts,we havetoreportwhatwe'reexporting.Andthere'sa feeassociatedwiththat.I'mnotsurewhatthat feeis.

MR.GALVIN:Okay.Iwouldbe curiousinlearningmoreaboutthat,likehow prohibitive,orifitisprohibitive.Ifyou'vegot anyinformationon--

MS.RAINES:Icangetthattoyou.

MR.GALVIN:Thankyou.AndI'm

unclearjustwheretheimportedostrichskinis produced.

MS.RAINES:Thisisnotanimported skin.

MR.GALVIN:No.Buttheimportthat youweretalkingabout.

MS.RAINES:They'recomingfrom SouthAfricaandIsrael.

MR.GALVIN:ButyetSouthAfricais buyingthe--

MS.RAINES:Currently.Right.In thepast,in1996,'97,theyimportedalargevolume ofhidesthatbasicallydumpedalargevolumeof hidesontotheU.S.market,causingadecreasein thedomestichidevalue.Theywerealsoclaiming thatAmericanhideswereoflessvalueandless quality,thereforetheyweren'tworthasmuch.And yettoday,intoday'smarket,theyarecallingus requestinghides.

MR.GALVIN:Aretheycurrently sendingushidestooorno?

MS.RAINES:Therearesome--there

aresomehidesthatarebeingimportedfromSouth Africa.Thebootmakerstraditionallyhavereliedon SouthAfricanhides.Andit'shardto--forusto re-educatethemastogettingU.S.hides.We'dlike to see them buying U.S. hides.

MR. GALVIN: Are they tanned hides?

MS. RAINES: Tanned -- some are green and some are tanned.

MS. COMBS: I've got a question. Do you know where most of the hides are being tanned and processed?

MS. RAINES: Until the regulations in Mexico, most of the hides were going to Mexico to be tanned, and they were coming back into the U.S. or being exported to other countries. We have a good tanner in New York, there was a good tanner in Louisiana that was doing ostrich and alligator. And that's one of the problems our industry has is that there's just not enough U.S. tanneries to support the industry here in the U.S.

MS. COMBS: So basically most are being tanned offshore?

MS. RAINES: Yes. In Mexico. Or had been, until recently.

MR. GALVIN: And now what's

happening?YoujustshipthemallgreentoSouth
Africa?
MS.RAINES:Nowtheygetshipped
greenortheygotothetannerinNewYork,or

peoplearetryingtofindothertannersaroundthe
country.There'satannerythat'supandcomingin
Iowathat'sdoingareallygoodjobwithostrich
hides.Theyseemtobealittlebitmoredifficult
todothanyourtraditionalcowhideorsmooth
hide.
MR.GALVIN:Thankyouverymuch.
MR.PURCELL:Nextwe'llhearfrom
HaroldSmith.
MR.SMITH:IwanttothankSusan
Combsformakingthismeetingpossible,and
certainlygladtobepartofit.
OnethingiswhatI'minterestedin,
andthat'sthebalanceoftrade,balanceoftrade.
Weneedtosellasmuchaswebuy.Weneedto
balancethattrade.It'simpossibletohavea
surplusintheUnitedStatesandashortageinmost
oftheworld.
Thankyouforlettingmecomeand
sharethiswithyou.
MR.GALVIN:Thankyou.

MR.PURCELL:Nextwe'llhearfrom RandyAllenofRWAFinancialServices.

MR.ALLEN:Justtointroducethis, newcropcornandsoybeansagaintodayhitnew contractlows.

IwouldliketothanktheUSDA,the USTR,andtheWorldTradingOrganization, CommissionerSusanCombsandtheTexasDepartmentof Agricultureforallowingmemyallottedtimehere today.

Farmagricultureischangingas quicklyasAustin'scomputerindustry,yetthereare fewersolutionstoagriculture'scomplexpuzzle. U.S.farmbillsofthepasthavenotbeeninthe leasteffective.Wecertainlyknownow,andshould Isayagain,thatcommoditysupplymanagementdoes notwork.PayingU.S.farmersnottoproducewhile tryingtoentertainaDilutedConservationProgram, CRP,hasstillyieldedthesameall-too-familiar problemswefacetoday;thatis,heavycommodity suppliesandlowfarmprices.

Attheheartofthisdilemmaaretwo rootproblems,andIhopeeveryonegivesmethe spacetolisten.Agriculturalproduction, information,andcomputerizationtechnologiesare notuniquetotheUnitedStates.Advancedag technologiesarebeingutilizedinmanyother nations;forexample,DeltaLandandPinecompanies selltheirBtcottonstrainstoChinaaswellas

U.S.farmers.Thishaschangedsomethingthatthe Americanproducerhasalwaysbeenproudof,being thebestintheworld.Butthat'snottrue anymore.

Numbertwo,throwingtaxpayermoney atU.S.farmershasnotworked.Farmsubsidieshave notchangedtheheartoftheproducer.Pastfarm billsshouldhavebeennamedsomethingotherthan farmbills,andmaybeweshouldcallthemwhatthey reallyare,suchastheFreedomtoFarmWelfare Program,asit'sturnedouttobe.

WhatImeanisthis:Whenhigh commoditypricesarepresent,producersholdoutor gambleforyethigherprices.Then,whentheprice collapses,thetaxpayerkicksinafewmorebillion dollars.It'slikeLasVegasprovidingmorechips toagamblaholicwhenherunsoutjusttokeephim inthegame.Andwhatdoesthishavetodowith establishingasoundexportprogramforthefuture? Ithinkithaseverythingtodowithit.Hereare myideastomakefarmpoliciesincentivepolicies:

Promotedemand,andshoreup,ifyouwill,domestic farmproduction.

First,theUnitedStatesneedsto quitplayingthefreemarketgame.Freerglobal marketsshouldremainourobjective,butwemust quitpretendingthatwe'refreeandthateveryone elseisnot.Weshouldadmitupfrontthatour agricultureindustryisassubsidizedaseveryone else's.BailingoutU.S.farmersnearlyeveryother yearisnodifferentthanCanada'ssocializedWheat Boardsubsidies.

Secondly,farmprogramsshouldbe disaster-oriented,exports-basedonly,having nothingtodowiththecommoditypricebeing magicallyintertwined.Ifthereareincentives withinthesekindsofpolicies,thentheyshouldbe destinedordesignedforyoungbeginningfarmers. Iffutureagpoliciesignoreprice,thiswill,in turn,establishafreermarketasfarassupply interventiongoes.Pricesubsidiesshouldbe erased.Pricelevelscannotbethepresupposition toanagpolicy.ItcanstillbesaidU.S.farm agricultureistheonlyU.S.industrythataffords suchwonderfulbenefitsandsafetynetsalready.

Thirdly,cropinsuranceprogramsare

ontherighttrackandneedtocontinuetobe definedandrefinedthroughfarmereducation. Fourthly,pastUSDApolicieshave donenothingbutencouragefarmerstowithholdtheir inventoriesevenwhenpricesareveryprofitable. Theanswerisnotinextendingloansandmakingit easiertostockpilegrain,buttoencouragefarmers tostaycurrentusinghealthyriskmanagementtools andtooperatethefarmasafinancialbusiness.I wouldliketounderlinethatfarmproductionisfor saleeveryyear,notforstoring.

Lastly,Irecommendthatfuture policiesavoidthebailingoutstigmaassociated withlowcommodityprices.U.S.producersshouldbe professionals,notwelfarerecipients.Futurefarm subsidymoneyshouldbeissuedforpractical businessneeds;simply,let'steachthemhowtofish insteadofgivingthemfisheverytimesomething goeswrong.Forexample,let'sgivethemtraining andincentivestobecomeeffectivemarketersand riskmanagers.TheFCCrecentlyagreedtoincrease fundingforInternethookupsforschoolsand librariesbyonebilliondollars.Cannotrural Internetaccessbedoneatthesametime?Canada hasalreadydonethis,with80percentofits

produceırson-line.Itmakesuslooklikeajoke.
AstheU.S.farmpopulationcontinues
todisintegrateanother30percentinthenextthree
tofiveyears,wemustassistthosefarmerswho

possessthetalentstoremainwiththenecessary businessskills,equipment,technology,and education.

Ladiesandgentlemen,myideaisto modernizetheproducerhimself,likethevery tractorhedrives,sothatheiscapableofusing andmanagingeconomics101,nothissweat.American farmpolicyhastostartlayingprofitable incentivesdown;it'sabusinessjustlikeanyother business.

Let'sfacethreeadditionalfacts,if youwill.Nothingelsehasreallyworked.It'snot thecommodityprices.Ampleprofitshavebeen availablesince1994upuntilnow.It'stimetobe creativeasopposedtodefensive,evenifto subsidizeapart-timesecretaryandacomputerto puttheproducer'sbusinesshousein21stcentury orderandsubsidizeretrainingprogramsand assurancesonthecontrary.

EnvisionaprofitableU.S. agriculturalindustryinsteadofworryinghowto keepallofAmerica'sproducershappyandinthe businesswhichhascreatednothingmorethan politicized,socialized,andcostlydefenseno-win strategies.Imaginedemandbeingnaturallyenhanced bybalancedproducerproduction,trade,and profitability.Let'smovetotheheartofthe matter,whichwillmoveU.S.agricultureforward. Thankyouverymuch.Arethereany questions?

MR.GALVIN:Thankyou.Appreciate yourstatement.Ithinkthere'sbeensomeeffort overthelastfewyearstotrytomakemoreprogress onwhatI'dcalltheriskmanagementsideof things.And,asyouknow,it'sbeenpretty difficult.Butifyoulookattheexpansionwe've seeninthecropinsuranceprogramoverthelast, say,fiveyears,Ithinkit'sbeenaprettysizable increase.Justthispastspring,Ithinkwetried todoinpartwhatyou'resuggesting,andthatis takingsomeofthemoneythatwasotherwisedestined justforfarmpaymentsandprovidingtheminsteadas incentivepaymentstothosewhowouldgooutandbuy cropinsurance,especiallytheso-calledbuy-upcrop insurancepoliciesthatreallywouldofferbetter coverageandIthinkalsoencouragefarmers,asthey

buythatcropinsurance,toalsothinkintermsof
forwardpricingsomeoftheircommodities.
SoIthinktosomeextentwe're--
youknow,wearemovinginthatdirection,but

clearlythere'smorethatneedstobedonebecause ofalltheproblemsmakingcropinsuranceworkfrom oneregiontoanother.Youknow,itseemstowork betterintheMidwest,forexample,thaninsome regionsintheSouthandSouthwest.ButIcan assureyouthatthiswholedesireto,quote,fix cropinsurance-andit'ssomethingthatIknow ChairmanCombast(sp)andothersareworkingonas well-butitremainsarealhighpriorityfor SecretaryGlickmanaswellasanumberofmembersof Congress.

MR.ALLEN:MayIaddsomething else?

MR.GALVIN:Sure.

MR.ALLEN:Luger's(sp) representationoftheriskmanagementprogram,I thinkheproposedlastweekortheweekbeforeeight differentpiecesofriskmanagementfarmerscould use.

Iwouldliketojustsayonpublic recordthatthatissokindergartenthatitjust makesmyheartsick.It'snotgoinganywhereand they'renottakingthestepthattheyneedtotake.

MR.GALVIN:Okay.Thankyou.

MR.ALLEN:Thankyouverymuch.

MR.PURCELL:Nextwe'llhearfrom RonCoxfromSalesU.S.A,Inc.

MR.COX:Goodafternoon,ladiesand gentlemen.MynameisRonCox.IamtheCEOof SalesU.S.A,Inc.ofSalado,Texas.Ourcompany processeslemonjuiceconcentrateandlimejuice concentrate.We'reasmallbusinessinavery competitivecategory.

I'dliketotakethisopportunityto commendtheUSDAandtheUSTRforholdingthis importantlisteningsessionontheagricultural negotiationsoftheWorldTradeOrganizationin Austin,Texas.AndIcertainlywanttotakethis opportunitytothankCommissionerCombsandthe StateofTexasforthismagnificentmeetingplace.

Mr.Chairman,Ifullysupport liberalizationofglobalagriculturalmarkets.I alsoaminfullfavorofreducingandeliminating tariffandnon-tariffbarriersinagricultural trade.Butasyouknow,tradeisatwo-waystreet. Ifwewantothercountriestoreduceoreliminate theirtariffsandnon-tariffbarrierson agriculturalproducts,thenwemustalsodothe same.AcaseinpointistheU.S.tarifffforfrozen lemonjuiceconcentrate,whichatpresentissome50 to60percentofthevalueoftheimportedproduct.

Ladiesandgentlemen,thisisanexcessivelyhigh tariff.Asamatteroffact,theU.S.hasthe highesttariffofanycountryintheworldfor frozenlemonjuiceconcentrate.Thishightariff hascausedasmallcompanylikeSalesU.S.Atopay morethan$600,000intariffsoverthelastyears.

Thereasonthistariffisso excessivelyhighisbecauseweareprotectinga coupleofU.S.companies.EventheEuropeanUnion, whichalsohasanimportantlemonjuiceindustryin SpainandItaly,assessesonlya15percentad valoremtaxontheirimportsoffrozenlemonjuice concentrate.Howcanwetalkaboutothercountries reducingtariffsonouragriculturalproductswhen wehavesuchexcessivelyhightariffsfor agriculturalproducts?

Thiskindofprohibitivehightariffs putsbusinesseslikemineatadisadvantage vis-a-vismycompetitorsinEuropeandCanada,to nameafew.Theyhaveaccesstolowerpricedfrozen lemonjuiceconcentratethanSalesU.S.A.Ieither havetopaythehightariffforbuyithereinthe U.S.ataveryhighprice.Thistariffcausesan artificiallyhighpriceforlemonjuiceto consumers.

I recommend that the tariff on frozen lemon juice concentrate be eliminated immediately as part of the WTO agricultural negotiations. I would also like to recommend that the harmonized tariff schedule of the U.S. be simplified in order to make it easier for small businesses like mine to use. Specifically, I'd like to propose that so-called special tariff rates be converted to ad valorem tariff rates. It would be much easier and transparent if all agricultural tariffs would be based on a percentage of the value of the product, or ad valorem tariff rates.

Thank you for your attention to this important matter for my company. I look forward to working with our U.S. negotiators in achieving the elimination of excessively high and unfair agricultural tariffs as part of the WTO negotiations.

MR. GALVIN: Thank you, Mr. Cox. I was unaware of this specific issue, so I don't reallyhaveanycomment.Butit'sinteresting.

MS.BOMER-LAURITSON:Ijusthavea
question.Wheredoyousourcemostofyourproduct
now?

MR.COX:AfterIbuyit,Istoreit inourownfreezer.

MS.BOMER-LAURITSON:No.Sourceit. Wheredoyoubuyitfrom,whatcountriesor domestic--

MR.COX:It'sacommodityandit's producedinseveralcountries.We'veboughtfrom Spainand,ofcourse,California,Arizona.Mexico hasjusthadaplantcomeon-lineinrecentyears andwe'veboughtfromthem,andalsoArgentinaand Uruguay.Butit's--we'repayingsomethingless than$6nowandthetariffis--hasacomplicated formulatocometothetariff,tofigurethe tariff.Andwe'repayingsomethingunder$6,and thetariffissomethingover2.50.Sowhenyou're buying52gallonstothedrumand70drumsinthe container,you'retalkingaboutalotoftariff.

MR.GALVIN:Youmentionedthatyou buyatleastsomeofitfromSpain.Andthatmakes mewonder,doesSpainsubsidizetheexportofthe product,andisthehightariffintendedinpartto

kindofoffsettheeffectofthathighexport
subsidyandthereforemaybelevelthingsoutabit?
MR.COX:Idon'tthinkIcantell
youwhatyouwanttoknowaboutthat,becausewe've

boughtfromSpaininthepast.Andinthepast,I'm talking10yearsago.SoI'mnotsure.

MR.GALVIN:Oh,okay.That'sall right.

MR.COX:Isincerelythankyoufor theopportunity.

MR.GALVIN:Thankyou.

MR.PURCELL:Andourfinalspeaker fortheafternoon,KathyReavis,American Agriwomen.

MS.REAVIS:AmericanAgriwomenisa nationalorganizationcomprisedof50,000memberof 54affiliateandcommodityorganizationsacrossthe nation.Webelievethatfarmersandproducers shouldberepresentedinthedecision-makingprocess whenevertariffs,embargoes,andtradenegotiations areinvolved.Wedonotbelievethatfoodshouldbe usedasapoliticalfootball.Thusathankyouto USDAandUSTRforthislisteningsessionon agriculturebeforethisnextroundoftradetalks.

Ourmostimportantmessagetothis

grouptodayisthatU.S.farmersandranchersmust beabletoutilizebiotechnologyand genetically-modifiedorganismproducts,orGMO's,in allavenuesofglobaltrade,withoutthe unscientificapplicationofunfairtradebarriersto futureexports.Thetechnologyof genetically-modifiedorganismsistouching agricultureacrossournationandglobally,and providesashrinkingnumberoffarmerswiththe toolstoproduceasafeandabundantfoodsupplyfor theworld.

Webelieveinthepursuitof biotechnologicalapplicationsthatpromisetosave livesorimprovethequalityoflife,whileavoiding applicationsthatdonotrespecthumanrightsor thatcarryrisksthatoutweighthepotential benefits.

Anotherprioritywouldbethestrict implementationofinternationaltradingrulesto preventunfairtradepracticesbycompeting countriesandtorequirefullcompliancewith existingtradeagreements.AmericanAgriwomennot onlyupholdscarefulmonitoringofexistingtrade agreementsandinternationaltreaties,butalsothe activitiesoftheUnitedNationstoensureequitable treatmentofU.S.aginterests.

Inconclusion,weurgeUSDAandUSTR toincludetheissueofutilizationof scientificallyvalidbiotechnologicalmethodology andresultingGMO'sasastrongcomponentinthe upcomingSeattleroundofWTOnegotiations.And two,notjustfreetradebutfairtrade.

Onceagain,onbehalfofAmerican Agriwomen,IwanttothankyouforcomingtoAustin, TexasandgivingusthisopportunitytocommentOn thisimportantissue.Thankyou.

MR.GALVIN:Thankyou.I'dliketo sayonthewholeGMOissueandthecontinuing problemsthatwe'rehavinginEurope,itseemstome thatonepartofthedebatethatismissingisjust reallythelackofdirectdebatebetweenour producersandEuropeanproducers.Ithinkalotof whathasoccurredthusfarhasbeenthe--youknow, thecompaniesthatmaketheseproducts,they'vebeen tryingtogainaccessintoEurope,and,ofcourse, we'vebeentalkingabouttheissuegovernmentto government,butIreallyhaven'tseenmuchdirect discussionbetweenproducersintheU.S.andin Europe.Anditmaybethatweshouldlookfor opportunitiestoencouragemorepeoplesuchas

yourselftotalktotheircounterpartsinEuropeso
that,youknow,hopefullywecancometoabetter
understandingastowhattheissuesare.And,you
know,youcantellthemprobablybetterthanwe

couldfromapersonalperspectivewhyyouwantto usethetechnologyhereandperhapswhyyouthink it'ssafeandthatsortofthing.

MR.REAVIS:InJuneinD.C.,wedid haveasymposiumonGMO's.Andoneofthespeakers wasTasosHaniosis(sp)--

MR.GALVIN:Yes.Verygood.

MR.REAVIS:Okay.Andhepresented alotofvalidsuggestionsforus.Andwehada goodonethere.

MR.GALVIN:Okay.Gladtohear that.

MS.COMBS:Ialsospeculateyou're morecrediblesometimes.

MR.REAVIS:Well,hopeso.Thank you.

MS.COMBS:I'djustliketosayhow muchweherein Texasappreciateyou-allcomingfrom Washington.It'salittlehothere.Sorryit couldn'tbealittlebitcooler.Butthewhole issueissovery,veryimportant,andwereallyurge allofyouto,asIknowyouwill,takethese commentstoheart.Therewerealotofspecific issuesraisedaswellasalotofgeneralissues, butallofusarevery,veryinterestedin agriculturethriving,notjustsurviving.Andtrade isahugecomponentinthatflourishingthatwe wouldliketosee.

MR.GALVIN:Andagain,Susan,thank youfororganizingallofthis.Wereallydo appreciateit.Ithasbeenverybeneficial,Iknow tome,tocomeoutheretoday.

Youknow,Ireallythinkattheend ofthedayorattheendofthewholeprocesswe reallyhavetoaskourselves,istradegoodforU.S. agricultureorisitbad,youknow?AndIthinkwe can,ingeneral,makethecasenowthatwe'restill exportingalotmorethanwe'reimporting.Andif weweretolosethemarketswecurrentlyhave,then boy,wethinkagricultureisintroubletoday,it wouldreallybeintroubleifweweretolosethe exportmarketsthatwecurrentlyhave.

ButIrealizethatthatisnot,you know,goodenoughforpeoplethatarecurrently facing2.50wheatand$2cornandthewholebit. Andthat'swhy,youknow,wehearyourmessageloud andclearthatwe'vegottoworkmuch,muchharder tomakesurethatwedoincreasemarketaccessfor U.S.productsanddoprovideafairopportunityfor ourproducers.Becauseourproducerscancompete,I think,iftheyaregiventhatopportunity.

Soagain,thankyou.

MS.BOMER-LAURITSON:Thankyou.I wantedtothankallofyou.IknowTexasisabig state;Louisianaisfarawayandalotofyouhave madeamajorefforttocomeheretoday.AndIthink thatshowsyourcommitment,aswell,toworkwithus onpoliciesandobjectivesthatwillbenefityou.

SoIwanttothankeachandeveryone ofyouwhospoke,aswellasthosewhosatinthe audienceandlistenedforparticipatingandjoining withusandprovidingusguidance.

MR.ACETO:I'djustliketosecond thataswellandtosaythat,youknow,inmy buildingintheStateDepartment,partofmyjobis alwayseducatingotherpeopleaboutagriculture, becauseit'snotsomethingwedealwithonadaily basis.Andcomingtodayandlisteningtowhat everyonesaidtodayjustreaffirmsthefeelingI've hadisthatpeople--Idon'tthinkthatpeople outsideofagriculturerealizethecomplexityand sophisticationofthesector.AndI'vebeenvery impressed.Ithinkbyinlarge,peopleknowwhat theissuesare,theyknowwhat'scomingupinthese tradenegotiations.AndIthinkit'sbeengoodto hearalotofourfeelingsonwhatweshouldbe doingconfirmedbywhatyou'vetoldustoday. Sothanksverymuch.

(SESSIONCLOSED.)

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